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Direct Elections to the European Assembly

The House of Commons voted on 13 December 1977 that a simple majority system should be used in European Assembly elections rather than a regional list system of proportional representation. The voting was 319 to 222, a majority of 97.

Following the second reading of the European Assembly Elections Bill (see pp 451-2, 1977), the House of Commons has begun detailed consideration of the Bill in committee.

On 13 December a debate took place (*Hansard,* 13.12.77, cols 299-422) on a backbench amendment to the important third clause concerning the method of voting to be used in European Assembly elections in Britain. The amendment called for deletion of the provision that elections should be based on a regional list system of proportional representation, and the substitution of the provision that they should be based on the simple majority, or 'first-past-the-post', system (with a single transferable vote system in Northern Ireland). Although the Government opposed the amendment it was passed by 319 votes to 222. With both Labour and Conservative MPs given a free vote on the issue, there was considerable voting across party lines. Those voting for the amendment (that is, in favour of the simple majority system) comprised 197 Conservatives, 114 Labour MPs and the Ulster Unionists. Those voting against comprised 145 Labour MPs, 61 Conservatives, all 13 Liberals, and three other MPs from nationalist parties. All 11 of the Scottish National Party MPs abstained.

Speaking for the Government in the debate, the Home Secretary, Mr Merlyn Rees, said (*Hansard,* 13.12.77, cols 303-17) that the regional list system was a fair basis for the assembly elections. Proportional representation would minimise the effect of electoral swings which could produce an unrepresentative result when only 81 seats were involved instead of the 635 that are contested in general elections in Britain. In elections for governing bodies, Mr Rees did not favour proportional representation, which tended to produce coalition governments; however, the European Assembly was an advisory and supervisory, not a governing, body. In asking the House to support a system of proportional representation for European Assembly elections the Government was not asking for support for its use in elections for any other assembly. It was, moreover, only by supporting the regional list system that the target date of mid-1978 for holding direct elections could be met. In his summing-up at the end of the debate, Mr Rees said (*Hansard,* 13.12.77, cols 415-18) that if the simple majority system were adopted the chances that Britain could meet the target date were very remote.

Mr Douglas Hurd, a Conservative spokesman on foreign and Commonwealth affairs, said (*Hansard* 13.12.77, cols 317-27) that it was not a good idea to introduce two innovations (direct elections and a system of proportional representation) at the same time. Furthermore he opposed the regional list system of proportional representation on the grounds that it entailed multi-member constituencies, which he regarded as unsatisfactory. It was, moreover, unlikely that the system of voting which would eventually be uniform throughout the Community would be based on the regional list system. Britain would only have to change again if it adopted this system. Mr Hurd said it was not likely that Britain would be able to meet the target date even if the regional list system were adopted; the Government would, he calculated, have to give all the legislative time available in January and February 1978 to the Bill if the elections were to be held by May or June. He suggested that if the Boundary Commissions were allowed to do preliminary work before the Bill had received the Royal Assent, the target could be met even if the simple majority system were adopted.

Other contributions to the debate were made by the former Liberal leader, Mr Jeremy Thorpe, and by the former Conservative Prime Minister, Mr Edward Heath. Mr Thorpe (*Hansard,* 13.12.77, cols 359-68) said that the regional list system should be adopted because it allowed for speed in holding the elections and would provide fair representation of the British electorate in the European Assembly. Mr Heath (*Hansard,* 13.12.77, cols 331-41) said that direct elections were an important step in the democratisation of the Community. He urged the House to support the regional list system so that Britain could avoid being the only member state of the Community which would not be ready to hold elections by the target date.

Recent Legislation

The public Acts of Parliament passed between August and the end of 1977 are listed below.

They were all sponsored by the Government except for the Unfair Contract Terms Act which was sponsored by a private member. The second reading references are to the appropriate House of Commons or House of Lords *Hansard*.

Consolidated Fund (No 2) Act 1977. Authorises the Treasury to make a sum available to the public service. Second reading (HC): 14.12.77, col 877. Royal Assent: 15.12.77. Ch 52, ISBN 0 10 545277 7, 10p.

Finance (Income Tax Reliefs) Act 1977. Makes further increases in personal tax allowances and exempts from income tax for the year 1977-78 any general increase in that year in social security and other pensions and allowances (see p 428, 1977). Second reading (HC): 17.12.77, cols 776-904. Royal Assent: 15.12.77. Ch 53, ISBN 0 10 545377 3, 10p.

Pensioners Payments Act 1977. Makes provision for lump sum payments to pensioners. Second reading (HL): 22.11.77, cols 762-77. Royal Assent: 24.11.77. Ch 51, ISBN 0 10 545177 0, 25p.

Unfair Contract Terms Act 1977. Further limits the extent to which civil liability can be avoided by means of contract terms (see p 444, 1977). Second reading (HL): 28.1.77, cols 1100-38. Royal Assent: 26.10.77. Ch 50, ISBN 0 10 545077 4, 45p.

Crown Agents

On 8 December 1977 the Prime Minister, Mr James Callaghan, told the House of Commons that a public inquiry would be set up in the light of the facts disclosed by the Fay Report on the Crown Agents. The Prime Minister's statement followed the Government's acceptance of the findings of the Fay Committee, which had inquired into the circumstances which led to the Crown Agents requesting financial assistance from the Government in 1974 (see p 193, 1975), published in a report on 1 December 1977. The report's conclusion that there were serious shortcomings on the part of the Crown Agents and that departments and other outside agencies contributed to their failure to prevent losses, was accepted in a Government statement, also published on 1 December 1977. Presenting the Fay Report and the Government statement to the House of Commons on 1 December, Mrs Judith Hart, the Minister of State for Overseas Development, stated that the question of what went wrong needed more specific investigation, and that a private committee of inquiry would be set up for this.[1] The decision to hold a public inquiry instead followed a vote against the Government at the end of an adjournment debate on the Crown Agents' affairs on 6 December 1977.[2] Both the Fay Committee and the Government praised the Crown Agents' traditional services, and the Government confirmed its support for these.

The Fay Report

On 23 April 1975 a committee of inquiry under the chairmanship of Judge E. S. Fay was set up by the Minister for Overseas Development 'to inquire into the circumstances which led to the Crown Agents requesting financial assistance from the Government'. The findings of the investigation were published in a House of Commons Return on 1 December 1977.[3] The report examines 'three broad topics, viz, (1) how it came about that the Crown Agents grew into a secondary or fringe bank and property developer operating on their own account and frequently in a speculative market; (2) how it came about that those operations led to huge losses; and (3) why there were not any controls, external or internal, sufficient to prevent the catastrophe'.

The report states that between 1967 and 1974 the Crown Agents conducted 'on their own account a substantial secondary banking activity and in the course of conducting it [engaged] in investment and lending which was unwise both in character and in degree. They embarked upon this course without seeking independent advice and . . . they possessed neither the skills nor the organisation necessary for such an enterprise. Accountability was lacking. It was unfortunate that the operation developed at a time it was believed that those deploying funds could hardly avoid making money, and there was thus engendered in the officials concerned an undeserved degree of self-confidence. When the crisis came they were totally unprepared, their lack of real banking experience was exposed and they allowed themselves to be locked into situations engendering further losses.'

In conclusion the report points out that 'the sums granted out of public funds to the Crown Agents will either be lost to the taxpayer, or, if repaid out of the future profits of the Crown Agents, will be a clog on their competitive position. These unfortunate results flow from (i) an unwise decision to operate as financiers on own-account; (ii) the folly and euphoria with which some of the operations were conducted, compounded by lack of expertise and neglect of accounting systems and professional safeguard controls; and (iii) the failure of Government to inform itself of the developments, to appreciate the risks and to grasp the need for quick action.'

[1] *Hansard*, 1.12.77, cols 729-49.

[2] *Hansard*, 6.12.77, cols 1026-86.

[3] Report by the committee of inquiry appointed by the Minister for Overseas Development into the circumstances which led to the Crown Agents requesting financial assistance from the Government in 1974. House of Commons Return No 48. HMSO, £2·75. ISBN 0 10 204878 9.

Statement by the Government

In its statement,[1] the Government accepted the report as a fair and searching investigation into the facts, and accepted its conclusion that there were serious shortcomings on the part of the Crown Agents, and that departments and other outside agencies contributed to the failure to prevent losses. During the period 1967-74, the statement explained, 'there was a lack of clarity concerning the constitutional relationship between ministers and the Crown Agents, and the information made available to ministers was incomplete. It is recognised by all concerned that for much of the period . . . the growth of the Crown Agents' own-account business and the pattern of its investments, as outlined in the report, was inadequately monitored and scrutinised. The Government accepts that this represented a failure to apply the normal principles of public accountability.' The Government, the statement continued, 'believes that its efforts to explore the causes of this failure, its decision to lay all the facts before Parliament, and its efforts and success in re-establishing the Crown Agents on a sound footing, will be regarded as firm evidence of its determination that the conduct of public affairs shall be honourable and shall be seen to be so'.

The Crown Agents' accounts for 1976, the Government statement said, showed that as at 31 December 1976 the deficit on the own-account investments in property and secondary banking (the realisation account) was in total some £212 million. The ultimate loss would not be known with certainty until the complete disengagement of the Crown Agents from the property and secondary banking activities of the past had been completed; the process might take some years. But it was already clear that the final deficit may well be in excess of £200 million.

The Future of the Crown Agents

Turning to the future of the Crown Agents the Government statement pointed out that 'the Fay Report explores and elucidates a phase in the conduct of the Crown Agents' affairs which ended, and ended decisively, three years ago. It is, in effect, an essential account of conduct and events which are now a question of historical concern rather than present anxieties, although their financial consequences are still with us.

'It is important to emphasise', the statement explained, 'that the traditional activities of the Crown Agents in providing services to their overseas principals have continued, and are continuing successfully. As the Fay Committee has pointed out, what went wrong was a part only of the Crown Agents' financial activities, and those activities themselves formed only a part of the Crown Agents' total business. Judging by the continued success of their traditional role, the Crown Agents' orthodox activities have not suffered from the publicity accorded to their own-account business, and in 1975 and 1976 the traditional agency services produced gross income of £11 million and £17 million respectively. These services had for nearly 150 years past been the reason for the Crown Agents' existence; they will now be the basis for a continuing future.

'The Crown Agents', the statement continued, 'are now performing their invaluable services on behalf of their principals, who include 67 Commonwealth Governments, Associated States and Dependencies; 152 Commonwealth public bodies; and 57 non-Commonwealth Governments and agencies. Since December 1974, the Crown Agents have been undertaking an orderly and phased withdrawal from property and secondary banking. The Government's assurance means that the position of all depositors is fully safeguarded.'

The statement stressed that the Crown Agents' management systems have been changed since the events described in the Fay Report. 'Since October 1974 the Crown Agents have had a proper Board structure including independent part-time members appointed by the Minister and directly responsible to her. A complete internal reporting system has been established, with clearly defined levels of authorisation and control. In this connection, the Crown Agents' management, accounting and financial information system has been completely reorganised and professionally qualified people have been appointed from outside the organisation to bring in the necessary expertise. The accounts are now published in accordance with ministerial direction, agreed with the Treasury, governing their timing and their form so as to give the fullest measure of disclosure.' (See pp 219-20, 1976.)

While agreeing that 'there has been a most severe failure of public accountability', the statement concluded by pointing out that 'the Crown Agents are now on a different and better footing. Their constitutional position and their relationship with ministers have already been clarified and will be established by legislation. Accountability is now established, and the disasters of their own-account activities of the past are being gradually remedied, at the cost of Government financial support. The Crown Agents' senior staff most criticised by the report are no longer with the organisation. The Government places firmly on record its confidence in the Board of the Crown Agents and in their traditional activities now and in the future on behalf of their overseas principals. It stands behind the Crown Agents.'

Mr Callaghan's Statement

In his statement on 8 December 1977,[1] Mr Callaghan said that the Government would place its proposals for a public inquiry before the House of Commons as soon as possible. He continued that 'the most appropriate form of inquiry in this case would be a tribunal set up under the 1921 Act'.[2] The tribunal 'must identify those responsible for these deplorable events. It should, however, also seek to find a way to

[1]Statement by Her Majesty's Government on the report of the Fay Committee of Inquiry on the Crown Agents. House of Commons Return No 49. HMSO, 75p. ISBN 0 10 204978 5.

[1]*Hansard*, 8.12.77, cols 1646-51.

[2]Under the Tribunals of Inquiry (Evidence) Act 1921 both Houses of Parliament may resolve that a tribunal be appointed by the Queen or a Secretary of State to inquire into a matter of urgent public importance. The tribunal is normally presided over by a High Court Judge, and has all the powers of the High Court as regards the examination of witnesses and the production of documents (see p 237, 1973).

safeguard the legitimate rights of innocent people to have their reputations protected from public allegations which may well prove unfounded.'

Shorter Notes

FALKLAND ISLANDS

The second round of negotiations aimed at resolving the dispute between the British and Argentine Governments over the sovereignty and future of the Falkland Islands (see pp 106-7, 1977) was held in New York from 13 to 15 December 1977. The two delegations were led respectively by Mr Ted Rowlands, Minister of State at the Foreign and Commonwealth Office, and by Captain Gualter Oscar Allara, Under-Secretary for Foreign Relations of the Republic of Argentina. The negotiations were conducted on the basis of the terms of reference announced in the statement of 26 April 1977 (see p 191, 1977) and covered the twin themes of political relations, including sovereignty, and Anglo-Argentine economic co-operation with regard to the Falkland Islands and the South Atlantic.

At the end of the talks the two Governments issued a joint communiqué which stated that the two sides had agreed to establish at official level two parallel working groups on the twin themes of the negotiations. The venue, composition and timing of the meetings of the working groups would be settled through diplomatic channels, and the progress of their studies would be kept under constant review by both Governments. The communiqué stated that a further round of negotiations would be held during the second quarter of 1978.

After the negotiations in New York Mr Rowlands went to Rio de Janeiro to meet representatives of the Falkland Islands Council to give a full account of the negotiations. During this meeting, Mr Rowlands explained the functions of the parallel working groups; he emphasised that negotiations were still in progress and reaffirmed that the British Government would not put proposals to Parliament which were unacceptable to the islanders. He also emphasised that the primary British concern was for the islanders, their wishes and their welfare. Mr Rowlands made it clear to the councillors that if they wished to appoint a representative or representatives to participate in the negotiations, he would be glad to have them as members of the British delegation. The councillors made clear their concern about early progress on economic development in the islands, and Mr Rowlands assured them of Britain's determination to proceed as soon as possible with current projects. In particular, he stated that Britain intended to help with the improvement of internal communications, and that £1 million could be made available for this in 1978.

EXTERNAL AFFAIRS AND DEFENCE

European Community

In December, the European Council discussed the problems of recession and unemployment in the member countries, and of the 'massive surpluses' of some OPEC countries and Japan; it resolved the question of the member states' contributions to the Community budget, renewed the Regional Development Fund with substantially increased resources, and approved a new borrowing facility to promote investment and support sectoral policies. The Community agreed to the extension of the Multi-Fibre Arrangement. The Council of Ministers adopted a policy for alleviating the crisis in the iron and steel industry. A new scheme to allow small and medium-sized companies to borrow funds from the European Investment Bank was introduced in Britain. Following discussions between the British Government and the Community's Commission, a number of changes were made in Britain's exchange control rules (see p18). The Council had a first discussion on farm prices for 1978-79, and continued its discussion of a definitive common fisheries policy. The Community-ASEAN dialogue continued with the first meeting at ambassador level. These and other recent developments are described below.

EUROPEAN COUNCIL

Economic Problems

The European Council met on 5 and 6 December 1977. In a statement to the House of Commons (*Hansard,* 7.12.77, cols 1387-401), the Prime Minister, Mr James Callaghan, referred to an exchange of views in the Council 'on the current economic problems of Europe, including those caused by the low rates of growth in the economies of the member countries, and the high unemployment that exists throughout the Community'.

'I directed attention', said Mr Callaghan, 'to the problems of international trade and payments, and pressed for a co-ordinated Community response to them. The persistent deficits of many countries, which are the counterpart of the massive surpluses of some OPEC[1] countries and Japan, are exerting deflationary pressure on the economies of the world and making it harder to pull the Community out of recession and reduce unemployment. This situation is increasing protectoinist pressure in the United States as well as in the Community. The Community needs to take a position. There was wide support for this assessment, and that future stability in oil prices would be very helpful. The Council equally recognised the need for energy-saving policies. The President of the Commission was invited to intensify his consultations with the Japanese Government on these matters.'

Budget Contributions

The Council resolved the question of the member states' contributions to the Community budget in 1978 and 1979. There have been differing interpretations by the member states of Article 131 of the Treaty of Accession; this article limits the increase in the amount of contributions by Britain, Denmark and the Irish Republic, all of which joined the Community in 1973. Britain believes that the Commission's proposal to calculate the budget in the new European unit of account (Eua), which is based on a basket of all Community currencies at current market values and has a higher value in terms of sterling than the present (gold parity) unit of account (ua),[1] means that Britain's share of the budget would have increased by more than is allowable under the Treaty. At the Council meeting, Britain and the other member countries agreed to maintain their different interpretations of Article 131, and to calculate their budget contributions accordingly. The resulting budgetary deficit is to be filled by a contribution from all the member countries.

In his Commons statement, Mr Callaghan said that Britain's contribution towards filling the gap in 1978 was likely to be £40·6 million out of the deficit of £265 million; in 1979, both the deficit and Britain's contribution should be about a third of those figures. Following this agreement, the Community would now construct its budgets from 1 January 1978 on the basis of the new European unit of account.

Regional Policy

The Council agreed to renew the Regional Development Fund with substantially increased resources totalling 1,850 million Eua for the next three years. The combined effect of these increased resources and of the change to the use of the European unit of account is that the value of the fund in sterling terms will be more than doubled.

[1]Organisation of Petroleum Exporting Countries.

[1]The rates of exchange applicable on 13 December 1977 were: 1 Eua = £0·65 (*Hansard*, 13.12.77, col 216), and 1 (gold parity) ua = £0·416667.

Investment

The Council approved in principle a proposal by the Commission to establish a new borrowing facility of 1,000 million ua to promote investment and support sectoral policies in the Community. This facility will be managed by the European Investment Bank, which is a Community institution.

European Foundation

It was agreed in principle to establish a European Foundation to promote contacts within the Community. Foreign ministers will examine the proposals for a foundation, and report back to the Council.

TRADE AND INDUSTRY

Textiles

Between October and December 1977, the Commission held negotiations and talks with almost all countries which export textiles at low prices. The main aim was to obtain an orderly development of all textile imports over the next five-year period, so that they are kept within limits bearable for the Community textile industry and allow it the breathing space necessary for it to modernise its structures. In addition, the exporting countries would obtain security of access to the Community market. As a result of these negotiations and talks, a number of bilateral agreements are to be concluded.

Consequently, at its meeting on 19 and 20 December 1977, the Council of Ministers agreed to the extension of the Multi-Fibre Arrangement (MFA) for a period of four years. (This international arrangement, originally concluded in 1974, is designed to lead to a long-term liberalisation of trade in textiles while avoiding damage to traditional industries in the developed countries.) It was understood, however, that where a bilateral agreement was not ratified by the supplier concerned or was later denounced, the Community would not be bound to apply the MFA to such a supplier.

In a House of Commons statement about the meeting (*Hansard*, 11.1.78, written answers, cols 736-8), Mr Frank Judd, Minister of State at the Foreign and Commonwealth Office, said that, during the meeting, the Secretary of State for Trade, Mr Edmund Dell, had emphasised the 'particular sensitivity' for Britain of imports of cotton yarn and cloth.

Iron and Steel

Agreement on policy for alleviating the crisis in the Community iron and steel industry was reached by the Council during its meeting on 19 and 20 December 1977.

Since the large increases in oil prices in 1973 and 1974, the iron and steel industry has been characterised by excess capacity and low profitability, aggravated by low-price imports from outside the Community. The Council's agreement concerns both external and internal measures aimed at improving this situation.

External Measures

The Council invited the Commission to propose, along the lines of the OECD declaration,[1] that all the countries which export steel to the Community conclude with the Commission bilateral arrangements for price restraint. The Council also stated that assurances should be given on the maintenance of traditional trade patterns on the basis of 1976, taking into account the forecast of a trend towards lower consumption in 1978.

Pending the conclusion of bilateral agreements, the Commission will impose a system of 'reference prices' reflecting the lowest production costs in the exporting country in which normal conditions of competition exist, and temporary countervailing duties, to bring import prices up to the 'reference price' level, on steel imports from 1 January 1978, while import licences unused on 20 December 1977 will be cancelled, although importers can reapply for them.

Internal Measures

The Council approved steps to be taken to increase prices and establish greater restraint in the Community market. In addition, the Commission intends to increase the guide prices by 15 per cent in the course of 1978, a 5 per cent increase being applied from 1 January, and to reserve 32 million Eua for restructuring the Community steel industry, creating alternative employment and granting social aid for relocation of labour.

INVESTMENT

Following an initiative by the British Prime Minister, aimed at reducing unemployment in the Community, a new scheme has been introduced to allow companies in Britain to take advantage of funds available through the Community's European Investment Bank (EIB). On 15 December 1977, Mr Alan Williams, Minister of State for Industry, announced details of the scheme, which will apply to employment-creating investment projects in manufacturing industry in two of the types of area designated for the purpose of regional industrial development policy – the special development areas (that is, areas where the economic situation and consistently high rate of unemployment give rise to the most urgent need for assistance) and development areas (those with similar but rather less severe problems) – and in Northern Ireland.[2]

In describing the new scheme, Mr Williams said: 'Earlier this year, the Prime Minister, as President of the Council of Ministers of the EEC, asked the European institutions, including the EIB, to consider how they could encourage investment in the Community in order to provide opportunities for reducing unemployment. The Bank responded favourably to this request . . . '.

Under the scheme, which will run for one year from 1 January 1978, up to £20 million is available for small and medium-sized companies in loans from £30,000 to £2·6 million for seven years at 7·5 per cent. The loans will be made through the appropriate Government department, which will provide a guarantee against the risk of exchange rate fluctua-

[1]Declaration on international economic co-operation issued by the Organisation for Economic Co-operation and Development in May 1974 (see p 223, 1974).

[2]Department of Industry press notice No 334, 15.12.77.

tions; the Minister pointed out that, in the past, firms, though attracted by the loans, had felt unable to carry the financial risk involved in borrowing in foreign currency.

Larger companies, requiring loans of £2·6 million or over, would have to deal directly with the EIB; until the introduction of the present scheme, this was the minimum amount for an EIB loan.

In addition, applications for cover under the exchange guarantee scheme will also be considered for loans from the European Coal and Steel Community for employment-creating projects in areas affected by the decline of the coal and steel industries.

AGRICULTURE

A report on the Council meeting of 12 and 13 December 1977 was given to the House of Commons on 14 December by the Minister of Agriculture, Fisheries and Food, Mr John Silkin (*Hansard*, 14.12.77, written answers, cols 249-50).

Prices

Mr Silkin said that, during a first discussion of the Commission proposals for farm prices for 1978-79, he had 'made it clear to the Council that it was essential to exercise the maximum restraint on agricultural prices in the interest of consumers and in view of the serious surpluses in some sectors'. The proposals would be considered in more detail by the Council in the new year.

Beef Imports

The Council agreed to continue the quota fixed under the General Agreement on Tariffs and Trade (GATT) for levy-free imports of frozen beef for a further year, and to increase by 10,000 tonnes the amount of frozen beef to be imported at reduced levy for manufacture under the balance-sheet arrangements. (The amount imported under the balance-sheet arrangements reflects the bids submitted by Community processors and importers.) Britain has favoured liberalisation of beef imports (see p 466, 1976).

Citrus Imports

During the Council meeting on 19 and 20 December 1977, Britain strongly supported a Commission proposal to extend tariff concessions on Israeli oranges and other Mediterranean citrus fruit. The Council was, however, unable to reach agreement on this proposal.

FISHERIES

Common Fisheries Policy

A special meeting of the Council, devoted to fisheries, was held from 5 to 7 December 1977. The Council continued its discussion of a definitive common fisheries policy (see p 412, 1977). In its press release (No 1428/77), the Council stated that the discussion had enabled it 'to record both a resolve to reach an aggreement and the complexity of the technical aspects of this issue'. It had, therefore, been agreed to suspend the meeting until 16 January 1978, when the Council would meet again to arrive at a decision on the fisheries arrangements.

Answering questions which followed the parliamentary statement on the meeting which he made on 9 December (*Hansard*, 9.12.77, cols 1849-56), the Minister of Agriculture, Fisheries and Food, Mr John Silkin, explained that 'stopping the clock' (that is, suspension of the meeting) meant the meeting would be held under the Belgian presidency, although Denmark takes over the presidency of the Council on 1 January 1978. 'There was a general feeling', said Mr Silkin, 'that, as the Belgians, after the Luxembourgers and the Italians, perhaps, had less of a direct interest than other countries, this would be the best way of dealing with it. So it really forms a kind of resumed session.'

Conservation Measures

The Council also agreed that existing conservation measures should continue unchanged until 31 January 1978. These include the 'standstill' on fishing effort adopted during 1977, and all other measures, community or national. The Minister said in his statement that this was important because it meant that the present North Sea herring ban and restrictions on fishing for Norway pout would continue (see p 412, 1977).

British Position

Mr Silkin said that, with regard to conservation, he had once again emphasised that a comprehensive and fully effective programme of measures would be an essential part of a future common fisheries policy. He added: 'I found a somewhat greater readiness among our EEC partners to recognise this point than heretofore. However, it remains the Government's policy that a Community conservation policy, which must include measures to allow coastal member states to safeguard the stocks within their sovereignty or jurisdiction, cannot be adopted separately from decisions on access and quotas.'

Speaking of division of fish resources among the member states, the Minister reminded the House of Commons that Britain 'is the member state which has lost most in distant waters and contributes most to the fish stocks in the waters of member states', and added that 'the present Commission proposals did not take proper account of these factors'. He believed that at this Council there was more widespread recognition that any quotas need to take account of distant water losses, and that Britain's general position was now better understood, although its contribution was 'not fully recognised even now'.

Non-member Countries

At its meeting on 21 and 22 November 1977, the Council decided that no fishing rights should be extended or restored to the German Democratic Republic, Poland or the Soviet Union beyond 1 December (see pp 104-5 and 366, 1977). (No fishing agreements have yet been concluded with these countries.)

SOCIAL AFFAIRS

Review of the Social Fund

The review of the Social Fund (see p 270, 1977) was completed by the Council at its meeting on 19 and 20 December 1977. The Council adopted formally the previously-agreed proposals, thus enabling the

revised fund to be implemented as from 1 January 1978. For the financial year 1978, the fund will be endowed with 569·5 million Eua in commitment appropriations and 538·8 million Eua in payment appropriations.

The European Social Fund was set up under the Treaty of Rome which established the European Economic Community. Article 123 of the Treaty gave the fund 'the task of rendering the employment of workers easier and of increasing their geographical and occupational mobility within the Community'. The new provisions are designed to increase the efficiency of the fund's operation and to achieve a greater concentration of aid on the most serious problems, in particular the regional structural imbalances in employment. Certain designated regions, where these imbalances are especially serious or prolonged, will qualify for a higher rate of intervention. The fund will also assist women, aged 25 or over, who wish to exercise a professional activity for the first time or after a long absence, or who have lost their jobs.

Public Health

The Council meeting on 13 December 1977 was the first ever consisting of ministers responsible for public health. The ministers held a preliminary discussion on economic aspects of health, health education policies, measures to combat certain diseases (in particular, the problem of vaccination), and mutual assistance in the event of disasters or exceptionally serious disease outbreaks.

EXTERNAL AFFAIRS

ASEAN Countries

The first meeting at ambassador level in the context of the dialogue between the Community and the Association of South-East Asian Nations (ASEAN) countries (Indonesia, Malaysia, the Philippines, Singapore and Thailand) was held at the Council's headquarters in Brussels on 29 November 1977. The press release (No 1414/77) issued after the meeting points out the 'common will' of the Community and the ASEAN countries 'to strengthen and intensify further the links between the two regions'. It continues: 'This will originates, on the one hand, in the ASEAN countries' desire to introduce in their international relations a larger element of balance. On the other hand, the Community supports these countries' efforts to establish ASEAN as a regional entity whose political and economic importance is increasing.'

Following an exchange of letters in 1975 between the Commission and the ASEAN countries, a joint study group was established. In 1977 it was agreed to begin a dialogue at ambassador level, so that the ASEAN countries can have direct contacts through the Council with the member states of the Community.

Among topics discussed at the first meeting were the export arrangements for the ASEAN countries' commodities, the Community's aid programme, European investments in ASEAN countries, and transfers of technology.

Lebanon

At its meeting on 19 and 20 December 1977, the Council agreed to ask the European Investment Bank to make 20 million Eua available as exceptional aid to Lebanon in the form of loans for reconstruction projects.

Cyprus

At the same meeting, the Council adopted a mandate for negotiations with Cyprus on trade in agricultural products for 1978 and 1979, and measures – embodying the mandate – to apply for three months (that is, during the negotiations). In his statement about the meeting (see p 8), Mr Frank Judd, Minister of State at the Foreign and Commonwealth Office, said: 'I made clear the United Kingdom's view that these measures do not meet the needs of Cyprus or of trade between Cyprus and the EEC and our continuing reservations on the acceptability of the mandate.'

North Atlantic Treaty Organisation

The regular six-monthly ministerial meeting of the North Atlantic Council was held in Brussels on 8 and 9 December 1977. Britain was represented by the Secretary of State for Foreign and Commonwealth Affairs, Dr David Owen. The Eurogroup met in ministerial session on 5 December, and the Defence Planning Committee on 6 and 7 December. The Secretary of State for Defence, Mr Frederick Mulley, represented Britain at these meetings.

NORTH ATLANTIC COUNCIL

The following is the text of the communiqué issued after the council meeting (headings added):

The North Atlantic Council met in ministerial session in Brussels on 8 and 9 December 1977.

2 *Ministers examined developments since the Council's meeting in London last May. They reaffirmed their resolve to fulfil the common purposes and enhance the effectiveness of the Alliance and agreed that the work in this direction was proceeding satisfactorily.*

East-West Relations and *Détente*

3 *Ministers emphasised that the strength, vitality and cohesion of the Alliance are drawn not only from its defence preparedness, but also from the shared commitment of its peoples to the principles of democracy, respect for human rights, the rule of law and social progress, and from their common desire to safeguard their freedom and independence.*

Ministers reaffirmed their commitment to the pursuit of détente *and to the achievement of a better understanding with the countries of Eastern Europe. In these efforts they are guided by their dedication to peace and their concern for the worth of the individual. Ministers stressed that, to be*

significant, efforts to remove barriers within Europe should benefit the lives of individual citizens as well as relations between states.

Ministers noted that, although recent progress in East-West relations had been uneven, there had been some favourable trends. They resolved to develop these and to seek a broader pattern of co-operation with the countries of the Warsaw Pact across a wide range of international issues. For these efforts to succeed, reciprocity and restraint are required on the part of all governments concerned. A policy of détente *cannot be pursued selectively.*

4 *Ministers considered the meeting now being held in Belgrade* [see pp 368-9, 1977] *as a follow-up to the Helsinki Conference on Security and Co-operation in Europe* [CSCE, see p 221, 1977]. *They noted that a thorough presentation of views was taking place on the degree of progress made in implementing the Final Act, but regretted that a number of specific criticisms of inadequacies in implementation had not yet received satisfactory answers. The exchange of views in Belgrade so far has confirmed that, while some progress has been achieved in certain fields, much remains to be done in improving relations between states and in ensuring the rights and well-being of individuals. Ministers, recalling the importance of the commitment of all signatory governments to respect fundamental freedoms and human rights, including that of the individual to know and act upon his rights and duties in this field, affirmed their determination to pursue a dialogue on these matters. In addition to measures to improve implementation in other fields, Ministers considered that the scope of confidence-building measures should be broadened in accordance with the provisions of the Final Act. Recognising the long-term nature of the CSCE process, the Allies will continue their efforts both during the Belgrade meeting and afterwards to ensure that a stronger impetus is given to full implementation of all provisions of the Final Act by all participating states.*[1]

5 *Ministers expressed satisfaction at the substantial amount of work already done by the Council in Permanent Session on the fresh study of long-term trends in East-West relations and their implications for the Alliance, requested by Allied leaders at their meeting in London in May* [see pp 220-1, 1977].

Security and Defence

6 *Ministers noted with concern that the steady growth in the military strength of the Warsaw Pact inevitably casts a shadow over the East-West relationship. Emphasising the defensive character of the Alliance, Ministers recognised that the foundation of its security was the maintenance by the Alliance of forces sufficient in quantity and quality to deter aggression, withstand pressure or, if necessary, defend the territorial integrity of the member states. They asserted their determination to take the necessary steps to achieve this objective. In this context, Ministers reaffirmed their view that the early coming into operation of the defence co-operation agreements between the Allied countries will strengthen the defences of the entire Alliance, in particular in the Mediterranean.*

7 *The Ministers of countries participating in the integrated defence structure of the Alliance welcomed the progress being made by those Allies concerned in developing the long-term programme in selected areas to enable NATO forces to meet the changing defence needs of the 1980s, and the successes achieved in the programme of short-term measures designed to improve the capabilities of NATO forces by the end of 1978.*

8 *Ministers took note with appreciation of reports on efforts to make more effective use of available resources for defence through increased standardisation and interoperability. They welcomed initiatives to encourage the transatlantic dialogue on equipment matters, to remove obstacles to the establishment of co-operative projects and to create a more balanced relationship among European and North American members of the Alliance in connection with the procurement of defence equipment.*

Arms Control and Disarmament

9 *Ministers reaffirmed their determination to strive for genuine measures of disarmament and arms control. They noted the increased activity in this field in recent months and the prospects for progress on important matters. They affirmed their intention to play a constructive role in the forthcoming United Nations Special Session on Disarmament. They expressed the hope that 1978 would see more rapid progress in achieving concrete measures in this area.*

10 *Ministers of the participating countries reviewed the state of negotiations in Vienna on Mutual and Balanced Force Reductions (MBFR)* [see p 221, 1977].[1] *They expressed once more their conviction that these negotiations would achieve their agreed aim of contributing to a more stable relationship and to the strengthening of peace and security in Europe only if they were to result in eliminating the existing ground force manpower disparity in Central Europe and ensuring undiminished security for all Allies.*

These Ministers reaffirmed their position that these objectives would be achieved by their proposal to establish, in the area of reductions, approximate parity in ground forces in the form of a common collective ceiling for ground force manpower on each side and to reduce the disparity in main battle tanks. They called for a positive response to the additional offer they made to the Warsaw Pact countries in December 1975 [see p 146, 1976]. *They indicated the importance they attach to the inclusion of associated measures in an MBFR agreement. These Ministers stressed the need for a genuine data discussion as a basis for further progress in these negotiations.*

11 *Ministers discussed the recent developments in the US-USSR Strategic Arms Limitation Talks* [SALT, see p 421, 1977] *and noted with satisfaction the progress made. They expressed support for the efforts of the United States to conclude a SALT agreement which maintains and enhances strategic*

[1]For further information on the Belgrade meeting, see COI Factel No 678, September 1977, The Belgrade CSCE Follow-Up Meeting.

[1]All NATO countires except France, Iceland and Portugal take part in the MBFR talks.

stability and is responsive to the security interests and concerns of the Alliance.

Berlin

12 *Ministers reviewed the developments concerning Berlin and Germany as a whole since their last meeting in May 1977. They noted with satisfaction the positive effects which the Quadripartite Agreement of 3 September 1971* [see p 425, 1971] *continues to have in and around Berlin. The Ministers emphasised the importance of strict observation and full implementation of all the provisions of the Quadripartite Agreement, including those regarding the ties between the Western Sectors of Berlin and the Federal Republic of Germany and those regarding the representation abroad of the interests of the Western Sectors of Berlin. Ministers underlined the essential connection between the situation relating to Berlin and* détente, *security and co-operation throughout Europe.*

The Middle East and the Mediterranean

13 *Ministers expressed the hope that recent developments in the Middle East* [see pp 14-16], *which they welcome, will lead to a just and lasting peace in the region, endorsed by all directly interested parties.*

Ministers took note of the report on the situation in the Mediterranean prepared on their instructions. They once more emphasised the importance they attach to maintaining the balance of forces throughout the Mediterranean area. They requested the Council to continue its consultations on this subject and to report to them at their next meeting.

Committee on the Challenges of Modern Society

14 *Ministers noted with appreciation the work of the Committee on the Challenges of Modern Society (CCMS) and the actions taken by nations to implement the CCMS recommendations and resolutions on air, inland water and marine pollution. Ministers noted that the Alliance members had resolved to deal effectively with hazardous wastes to minimise environmental damage.*

15 *The next ministerial session of the North Atlantic Council will be held with the participation of Heads of State and Government in Washington on 30 and 31 May 1978.*

DEFENCE PLANNING

The NATO Defence Planning Committee met in ministerial session in Brussels on 6 and 7 December 1977.

The ministers reviewed the state of security of the Alliance in the light of assessments and reports on developments since their last meeting (see p 222, 1977), and re-emphasised that the assurance of security was indispensable for the maintenance of freedom and progress in their societies and for the furthering of *détente*. Expressing their concern at the continuing momentum of the military programmes of the Warsaw Pact, the ministers stressed that it was the threat posed by the military capabilities of the Warsaw Pact that was the fundamental factor affecting the military requirements for Alliance defence. The Warsaw Pact forces consisted of increasingly capable offensive ground, naval and air forces, with improved strategic attack capabilities and with enhanced command and control arrangements, and these were being increased far in excess of what would be reasonably needed for defence.

At the London summit meeting in May 1977 (see pp 220-1, 1977) it had been agreed to develop a long-term defence programme for the 1980s, and the ministers reviewed a report on progress achieved in preparing specific programmes in a limited number of defence planning fields where collective action was urgently required. Within these the ministers endorsed the main areas on which action should be focused in developing co-operative and co-ordinated defence programmes in the medium and longer term. They also endorsed the prompt and positive outcome of the accompanying programme of short-term force improvements in the selected areas of anti-armour, war reserve stocks, and readiness and reinforcement, noting that, for example, the Alliance would, by the end of 1978, increase its holdings of anti-armour missiles by about one-third, and plan similar improvements in stocks of other critical war reserve munitions. The response to the short-term initiatives, it was stated, had enhanced NATO's defence capabilities and provided an example of the Alliance's ability to act expeditiously and effectively.

The ministers took note of the contributions of the national forces to the defence of the Alliance planned for the next five years, and expressed concern that the gap in conventional capabilities between NATO and the Warsaw Pact was still widening. However, they concluded that significant force improvements had been accomplished in 1977 and that more would materialise as the implementation of current plans led to a substantial improvement in the defence capabilities of the Alliance.

The ministers agreed that effective steps had to be taken in the preparation of new force goals for NATO to cover the period up to 1984, and in further work on the long-term defence programme to reduce the disparity in conventional capabilities between NATO and the Warsaw Pact. They recognised that the achievement of these objectives would continue to require real annual increases in defence expenditure and that increased emphasis had to be placed in defence budgets on allocations to major re-equipment and modernisation programmes. In general, while the ministers expressed their concern at the serious deficiencies which still remained in the defence capabilities of the Alliance, they welcomed the growing resolve and willingness to respond to the increases in the Warsaw Pact's military capabilities, and agreed that an adequate conventional posture essential to maintain the NATO triad of strategic, theatre nuclear and conventional forces was within reach.

The efforts being made by Portugal and Turkey from their own resources to improve their force contributions to NATO were noted with satisfaction, but the ministers acknowledged the urgent need for both of these members to receive external assistance for the modernisation and support of their forces from the Alliance as a whole. They confirmed their view of the importance of the contribution to the solidarity and vital security of the entire Alliance of the early implementation of defence co-operative

agreements relating to the South-Eastern flank.

Turning to the negotiations on Mutual and Balanced Force Reductions (MBFR, see p 221, 1977), the ministers reiterated their support for the Western position which seeks a more stable military relationship by removing current disparities in forces in Europe as a major contribution to the improvement in East-West relations. They reaffirmed the importance they attached to the principle that NATO forces should be maintained and not reduced except in the context of a mutual and balanced force reduction agreement with the East. They noted recent developments in the talks between the United States and the Soviet Union on the limitation of strategic arms (SALT, see p 421, 1977), and reaffirmed the importance of continued close consultation within the Alliance on issues arising in these talks.

The ministers then discussed the progress being made in improving the interoperability of defence equipment, particularly in priority areas such as communications, airborne munitions and fuels, and welcomed the steps being taken towards a periodic armaments planning system within the Alliance. In particular, they expressed their support for the efforts being made in these areas by the Conference of National Armaments Directors. The ministers noted the Military Committee's endorsement of a revised concept of operations for an interoperable NATO airborne early warning force comprising *Boeing E-3* and *Nimrod* aircraft, and received a report on the progress being made towards agreement on an acceptable means of sharing the programme costs of the *E-3* element of the mixed force. They agreed to NATO's continuing need for a significant infrastructure programme, and endorsed the planning and proposed schedule calling for ministerial approval of the next five-year programme in December 1978.

Finally, the ministers designated national forces committed to the Alliance for 1978, and approved the NATO force plan for the period up to 1982. They reaffirmed their pledge to do their utmost to ensure that the necessary resources would be forthcoming to maintain and improve NATO's force capabilities and their determination to support and promote co-operative ventures within the Alliance.

EUROGROUP MEETING

The Eurogroup[1] met in ministerial session in Brussels on 5 December 1977.

The ministers exchanged views on a wide range of matters of interest to the European members of the Alliance, and restated their commitment to participate fully in the studies currently being undertaken by NATO. While confirming their firm support for negotiations aimed at reducing tension in Europe, the ministers reiterated the continuing need for strong and effective defences in response to the growth in the power of the Warsaw Pact. To this end, they noted recent and planned improvements among the forces of the Eurogroup nations.

The ministers considered reports on the practical work of the Eurogroup sub-groups.[1] They expressed their resolve to continue to work for the achievement of greater co-operation wherever possible in the fields covered by these sub-groups, and welcomed the further steps towards this objective which had been taken since their last review. In particular, they were gratified to note developments in certain sub-groups. In Eurolog, agreement had been reached on the joint logistic support by some or all user nations of a number of types of equipment, including the *FH 70* towed howitzer, the *Sea Sparrow* air defence missile, the *CL 89* drone, and the medium girder bridge. Four countries in Euronad (Britain, the Federal Republic of Germany, Italy and Norway) were negotiating arrangements aimed at the joint production in Europe of the improved *Sidewinder* air-to-air missile. Eurolongterm had agreed a joint operational concept for conventional tactical air operations in Europe up to 1985, and joint outline specifications for a portable surface-to-air guided weapon system, medium- and long-range anti-tank guided weapons and a minefield marking system. Eurocom countries had reached agreement on the operational requirement and performance characteristics for Eurocom tactical communications systems, and discussions were being held with the United States and Canada in the interests of wider Alliance interoperability. In the field of Euro/Natotraining, basic helicopter training courses were notably successful, and a standardisation agreement on financing of common training had been concluded which was expected to reduce training costs.

The ministers reaffirmed their commitment to continue to develop the collective defence capabilities of their countries in as rational and effective a way as possible within the framework of the Alliance. They recalled that one of the aims of Eurogroup was the improvement of public awareness of the extent of the European contribution to the Alliance, and they reviewed efforts in this area during the past year.

Finally, ministers welcomed progress in the independent European Programme Group[2] and confirmed that Eurogroup recognised this body as the principal European forum for collaboration on defence equipment matters.

[1]The Eurogroup consists of Belgium, Britain, Denmark, the Federal Republic of German, Greece, Italy, Luxembourg, the Netherlands, Norway, Portugal and Turkey.

[1]The sub-groups are Eurocom (battlefield communications), Eurolog (logistic co-operation), Eurolongterm (long-term planning), Euromed (medical services), Euronad (equipment collaboration), Eurostructure (force structures) and Euro/Natotraining (co-operative training).

[2]The independent European Programme Group consists of the Eurogroup nations and France (see p 279, 1976, footnote 2).

Anglo-French Relations

VISIT BY FRENCH PRESIDENT

The President of France, M. Valéry Giscard d'Estaing, paid an official visit to Britain from 12 to 13 December 1977 for talks with the Prime Minister, Mr James Callaghan. The

visit was the second in the series of annual summit meetings agreed on during President Giscard d'Estaing's state visit to Britain in June 1976 (see pp 237-4, 1976). Describing the aim of these annual meetings as the development of 'the habit of regular but informal consultations between British and French ministers so that this becomes the most natural way of exchanging views on matters of long-term importance of both countries', Mr Callaghan went on to say that 'this latest meeting has confirmed once again the value of these exchanges as a positive and constructive basis on which to build Franco-British friendship'.

President Giscard d'Estaing was accompanied on his visit by the French Prime Minister, M. Raymond Barre, and by the Ministers of Foreign Affairs and Defence, while on the British side those taking part in the discussions included the Chancellor of the Exchequer, Mr Denis Healey, the Foreign and Commonwealth Secretary, Dr David Owen, the Secretary of State for Defence, Mr Frederick Mulley, the Secretary of State for Trade, Mr Edmund Dell, and Mr Alan Williams, Minister of State for Industry. In a statement to the House of Commons (*Hansard*, 13.12.77, cols 272-4) on his meeting with the French President, Mr Callaghan said that they had discussed the longer-term development of the European Community and found that their views were similar. They had also discussed the question of the Community's fisheries policy, which Mr Callaghan described as 'important and pressing', and which would come up for further discussion next month at the Council on the basis of the Commission's proposals (see p 412, 1977, and p 9).

Turning to the world economic situation, Mr Callaghan said that President Giscard d'Estaing and he were in agreement that it was essential for the countries that were members of the Organisation for Economic Co-operation and Development (OECD) and the European Community to achieve their growth targets next year if unemployment were not to rise still higher. Britain's own fight against inflation, which, he said, was making good progress, needed the help of more expansionary policies in the strongest economics, and both sides went on to discuss the problems arising from the surpluses accumulated by members of the Organisation of Petroleum Exporting Countries (OPEC) and by Japan.

In a review of their bilateral relations, both leaders agreed to establish a committee for industrial co-operation, drawn from senior officials of the two countries, which would identify new areas of industrial co-operation including offshore oil technology, technology peripheral to the computer industry, the paper industry and the machine tool industry. Mr Callaghan said that both President Giscard d'Estaing and he welcomed the contacts already established between British Leyland and Renault on possible co-operation. While leaving the initiative to the companies, they supported and encouraged the move.

The two leaders expressed their support for a proposal for a 2,000 megawatt cross-channel electricity cable link on which the generating authorities in both countries were currently holding negotiations. Prospects for co-operation in the supply of defence equipment were reviewed, and both sides welcomed the significant progress that was being made. They also exchanged views on possible new projects in the field of civil aviation, and agreed that quick decisions were needed on the various options which had opened up, and that 'these matters should be decided on the basis of the commercial and market factors involved'.

Both sides agreed that there would be annual meetings in future between senior officials of their countries concerned with economic management, and in a wider framework, it was agreed to encourage the Franco-British Council to organise annual meetings between leading French and British politicians, industrialists, trade unionists and others to discuss matters of common concern.

Turning to the international situation, Mr Callaghan said there had been 'a very thorough and useful exchange of views', with particular attention being devoted to the prospects for a Middle East settlement (see below) and to Africa. The thinking on both sides on these questions had been 'very close'.

The Middle East

ARAB-ISRAELI RELATIONS

Following the visit made by the President of Egypt, Mr Anwar Sadat, to Israel in November (see p 460, 1977), there have been a number of moves during December and the early part of January, both within the Middle East region and outside it, taken with the aim of facilitating a comprehensive settlement of the Arab-Israeli conflict. During the present period of talks and formal negotiations, Britain has been kept fully in touch with developments by both the Israeli and Egyptian sides to the dispute, and the Prime Minister has held discussions with Mr Begin in London and with President Sadat in Egypt. The following article gives a brief account of these events.

The Cairo Conference and Related Diplomacy

The Israeli Prime Minister, Mr Menachem Begin, paid an official visit to Britain from 2 to 5 December 1977. During his stay in Britain, Mr Begin had talks with the Prime Minister, Mr James Callaghan, on the situation in the Middle East and also on Anglo-Israeli bilateral matters. In a statement to the House of Commons (*Hansard*, 7.12.77, col 1389), Mr Callaghan said that during the discussions 'Mr Begin assured me of his determination to seek a comprehensive settlement and to find a just solution to the problem of the Palestinians'. For his part, said Mr Callaghan, he had informed Mr Begin of Britain's support for 'continuing discussions on this basis between Egypt and Israel, leading at a later date to wider negotiations and a settlement'.

On 7 December 1977, the United States Secretary of State, Mr Cyrus Vance, left for a tour of the

Middle East, the third he had made during 1977. On his tour Mr Vance visited Egypt, Israel, Jordan, Lebanon, Syria, and Saudi Arabia, and returned to the United States on 15 December.

The Cairo Conference, which had been announced by President Sadat in the Egyptian Parliament (see p 460, 1977), opened at official level on 14 December 1977. Represented at this stage of the conference were Egypt, Israel, the United States and the United Nations. In addition, there were places at the conference reserved, but not taken up, for Syria, Jordan, Lebanon, the Soviet Union and the Palestine Liberation Organisation.

On the same day as the Cairo Conference opened, Mr Begin flew to the United States for a visit which lasted until 19 December. During his stay, the Israeli Prime Minister revealed to President Carter his proposals for a peace settlement.

On his way home from the United States on 20 December, the Israeli Prime Minister stopped in Britain for a meeting with Mr Callaghan. The purpose of this visit was to brief Mr Callaghan on the results of the discussions in Washington, and to explain the Israeli proposals to the British Prime Minister, and, at a separate meeting, to a representative of the French Government who had come to Britain specially to meet Mr Begin. Mr Begin explained that the purpose of the Israeli-Egyptian dialogue was to reach an agreement which could be endorsed by the other interested parties in the area.

Israeli Proposals

On 25 December, Mr Begin flew to Ismailia in Egypt for a meeting with President Sadat. During these talks, Mr Begin presented the proposals for a peace settlement which he had previously shown to President Carter and Mr Callaghan. These proposals, which were subsequently made public on 28 December, concern a plan for a peace treaty with Egypt and a solution to the Palestinian problem in the occupied West Bank and the Gaza Strip.

The proposed peace treaty provides for a transition period of unspecified duration during which Israeli forces would hold a defence line in the middle of the Sinai peninsula; after that time, these forces would withdraw to the pre-1967 international frontier. The Egyptian army would not move beyond the Mitla-Giddi line (see map, p 343, 1975), and the present limited forces agreement would continue to apply. Israeli settlements in the Sinai would be allowed to remain, would be linked to Israeli administration and law, and would be defended by an Israeli force. Freedom of navigation for ships of all countries in the Tiran Straits would be guaranteed. On the Palestinian question, the Israeli plan proposes administrative autonomy for the residents of 'Judea, Samaria [the Israeli preferred terms for the West Bank of the River Jordan] and the Gaza district', with an elected administrative council of 11 members which would have responsibility for most internal matters, while Israel would have responsibility for security and public order. Residents of these areas would be entitled to choose between either Israeli or Jordanian citizenship. Residents of Israel would have the right to acquire land and settle in these areas, and Arab residents who had opted for Israeli citizenship would be entitled to move to Israel and acquire property. The plan proposes that the question of sovereignty in this territory be left open. On Jerusalem, the plan states that special proposals will be drawn up that will include the guarantee of 'freedom of access to members of all faiths to the shrines holy to them'.

At the end of the Ismailia meeting, on 26 December 1977, President Sadat and Mr Begin held a joint press conference at which the Egyptian leader read out an 'agreed statement'. Both sides had agreed 'to continue our efforts towards achieving a comprehensive settlement', and to raise the level of the Cairo Conference to ministerial level. A political and a military committee would be set up, headed respectively by the ministers of foreign affairs and of defence, to carry on the negotiations.[1] On the Palestinian question, which was described as 'the core and crux of the problem in the area', the statement noted the differences in opinion between the two sides, and said that the Egyptian position was that 'in the West Bank and the Gaza Strip a Palestinian state should be established', whereas the Israeli view was that 'Palestinian Arabs in Judea, Samaria and the Gaza Strip should enjoy self-rule'.

Follow-up to the Ismailia Meeting

On 30 December 1977, the US Secretary of State announced that he had accepted an invitation to participate with the Egyptian and Israeli foreign ministers in the political committee of the Cairo Conference. Then, on 4 January, President Carter had a short meeting with President Sadat at Aswan in Egypt during a stop-over on his international tour. In a statement at the end of the talks, President Carter said that he fully supported the Egyptian-Israeli peace initiative, and that the United States would play an active role in the work of the political committee. He went on to say that among the principles fundamental to a comprehensive peace settlement was the need for 'a resolution of the Palestinian problem in all its aspects. The problem must recognise the legitimate rights of the Palestinian people and enable the Palestinians to participate in the determination of their own future'.

British Views

On his way back to Britain after his tour of South Asia, Mr Callaghan visited Egypt for a meeting with President Sadat. At a press conference at the end of their meeting, Mr Callaghan praised the Egyptian President's 'imaginative and courageous' gesture in going to Jerusalem, and said that Mr Begin had responded by putting forward 'proposals of substance'. Mr Callaghan now foresaw a period of 'very difficult negotiations' during which hard decisions would be required from Israel and from others. However, he said that peace was now 'within the grasp of the Israeli people and of the Arab people'. Turning to British policy on this question, the Prime Minister said that this remained unchanged, and that any settlement had to be based on the principles of UN resolutions 242 and 338 (see pp 441-6, 1973) in all their aspects. 'We do

[1]This is part of the second Egyptian–Israeli Disengagement Agreement (see pp 343-4, 1975).

[1]The military committee, which meets in Cairo, held its first session on 11 January, while the political committee, which meets in Jerusalem, started its work on 17 January.

not', said Mr Callaghan, 'single out one aspect from the others. The goals we are working for are peace treaties . . . that will provide for full normal relations between the states of the area; either normal relations immediately in some cases, . . . or peace treaties perhaps after a lapse of a certain period of time in other cases.' He went on to say that a fully accepted and comprehensive group of peace treaties was the surest guarantee for peace and for security for all people living in the area. If this were to be achieved, it would be necessary 'to involve the Palestinian people in the negotiations and the implementation of a settlement, and in the eventual determination of their future within a homeland of their own, taking into account the fundamental interests of the other people and states involved in the peace settlement'. Mr Callaghan concluded by saying that Britain's role 'has been and will continue to be supportive of the negotiators, to maintain continuing contact in so far as the principals find it helpful and to ease the path of negotiations wherever we have the opportunity to do so'.

ECONOMIC AND SCIENTIFIC AFFAIRS

Chancellor's Letter to the International Monetary Fund

Major improvements in Britain's economic situation in the last 12 months and prospects for the coming year are described in a letter of 14 December 1977 from the Chancellor of the Exchequer, Mr Denis Healey, to the Managing Director of the International Monetary Fund (IMF), Mr H. Johannes Witteveen. The Chancellor mentions, among other things, the moderation of pay settlements, the marked strengthening in the external payments position, the slowing down in the growth of retail prices, the control of public spending, the return of confidence in sterling and the increase in foreign reserves. He notes that these improvements have not, as yet, been accompanied by a resumption of significant economic growth. In conclusion, the Chancellor reiterates the Government's opposition to generalised restrictions on trade and its intention to reduce any necessary selective measures as soon as circumstances permit.

The letter follows discussions, held in London in November, between representatives of the IMF and the Treasury, at which the former was given a progress report on the British economy. This meeting was part of the continuing contact between the Government and the Fund since the announcement in December 1976 (see p 25, 1977) of a $3,900 million stand-by arrangement to assist Britain in its external financing.

The text of the letter, published in *Hansard*,[1] is as follows:

In my letter of 15 December 1976 [see p 22, 1977], *I described the programme adopted by the United Kingdom to strengthen the balance of payments over a three-year period, to create the conditions for a reduction in the high rates of inflation then prevailing, and to provide a basis for sustainable growth in output, employment, and living standards. During the first year of our stabilisation programme the confidence of the financial markets has returned, the external payments position has strengthened markedly and a decisive turn in the pace of inflation has been achieved.*

The maintenance of the social contract with the trade union movement, which kept the growth of average earnings to 8 per cent in the year ending July 1977, has been crucial to this success. The moderation of pay settlements, together with an improvement in our terms of trade and the pursuit of firm financial policies, has led to a marked slowing down in the growth of retail prices. The year-on-year rate of increase had already fallen from 17·7 per cent in June to 14·1 per cent in mid-October, and since the spring the underlying rate has been well below the annual rate. This justifies the expectation that the annual increase will fall below 10 per cent by the middle of 1978.

The successful application of the system of cash limits and the use of the contingency reserve as a means of keeping expenditure within the published plans have helped to establish firm control over public spending. The ratio of public expenditure to national income has been reduced. Combined with buoyant revenues and a steady improvement of the finances of the public enterprise sector, this has helped to provide room for further tax reliefs, increased social benefits and assistance to the construction industry.

The return of confidence in sterling produced massive inflows of capital which have increased our foreign reserves to over $20 billion by the end of November. These inflows inevitably injected additional liquidity into the economy while exerting persistent upward pressure on the exchange rate. In presenting the 1977-78 Budget [see p 152, 1977] *I stated the Government's intention of keeping Domestic Credit Expansion (DCE) in 1977-78 well within the limit of £7·7 billion set out in my letter of 15 December 1976 and of maintaining control of the growth of the money supply. The growth of sterling M3 in 1977-78 was forecast as being in the range 9–13 per cent. In recent months, the inflow of overseas funds was reaching the stage at which it was putting the control of the money supply at risk. The Government accordingly felt it necessary to change its intervention tactics in the exchange market in order to remove that risk and to maintain the counter-inflationary thrust of its monetary policies. Following this change short-term interest rates adjusted to a level appropriate to my domestic monetary objectives. The Government remains convinced of the need to provide a stable framework of financial policy on which to build an enduring recovery of the economy in the next year and beyond.*

[1] *Hansard*, 15.12.77, written answers, cols 319-22.

These major improvements in the economic situation during 1977 have not, as yet, been accompanied by a resumption of significant economic growth. The fiscal measures announced in October 1977 were designed to strengthen the forces of recovery. Provided earnings can be held within the Government's objectives, growth of about 3·5 per cent per annum should be attainable between the second half of 1977 and the second half of 1978 and should be consistent with achieving a significant current account surplus in both 1977-78 and 1978-79. The benefits of North Sea oil will create the conditions in which it should be possible to maintain a surplus on the current account for a number of years. This will be needed to help meet the United Kingdom's external debt repayment obligations and to contribute to the financing of structural capital flows including those arising from export credit.

The scope for stimulating the economy further will depend to an important extent on the competitive performance of British industry and on the movement of costs and prices. The industrial strategy is intended to achieve a marked improvement in the trading performance of British industry at home and overseas. Measures to improve productivity, raise investment and encourage retraining are important and continuing aspects of Government policy, and they have the support of management and unions. We have, however, to take account of past increases in domestic costs higher than those of most other industrial countries and of the recent appreciation of sterling. Large improvements in performance cannot be achieved quickly and the burden of protecting the United Kingdom's competitiveness and thus employment will continue to fall squarely on the containment of domestic costs. We have therefore striven, in close consultation with the Trades Union Congress and the Confederation of British Industry, to contain the growth of average earnings within limits which will secure the deceleration of inflation to single figures by the middle of next year and thereafter progressively approach the price performance of our competitors in world markets. We shall now be building on the successes so far achieved in countering inflation, and co-operating with our social partners over the next years in order to ensure an increase in employment and a rise in living standards. This is the only way in which we can by our own efforts bring about a significant and sustained reduction in our present unacceptably high level of unemployment.

In its approach to the exchange rate, the Government will follow a flexible policy, with the objectives of avoiding disruptive fluctuations in the rate, maintaining monetary guidelines and preserving the competitive position of British industry. In other policies which affect the exchange rate the Government will take account of these objectives.

The Government is determined to continue its firm control of public spending, and the counter-inflationary thrust of its monetary policies. It will maintain orderly conditions in financial markets. These will require both control over the money supply and moderation in DCE. DCE for the financial year so far has been well below the level which I originally envisaged: this has been associated with the substantial inflows of overseas funds. This situation has ended with the change of exchange market tactics and I expect DCE to come back nearer to the levels envisaged earlier, and possibly to make up some of the earlier shortfall. Nevertheless, I expect DCE in 1977-78 and the first quarter of 1978-79 together to be within the total of £7·7 billion earlier envisaged for 1977-78 alone. In addition, I expect the Public Sector Borrowing Requirement for 1978-79 not to exceed the figure of £8·6 billion referred to in paragraph 14 of my letter of 15 December 1976. I shall take account of these considerations in deciding whether the prospects for the economy, and particularly for wage settlements and prices, make it possible for me to give a stimulus to the economy in my Budget for 1978-79. During next May . . . I expect to review policies further with the Fund for the final period of the standby, which expires on 2 January 1979 unless the Government decides before that date that continuation of the standby is no longer necessary.

The Government reiterates its intentions expressed in paragraph 24 of my letter of 15 December 1976 and, in particular, its firm opposition to generalised restrictions on trade, and does not intend to introduce restrictions on imports for balance of payments reasons. The Government has stated that it is prepared, in current economic circumstances, to consider the further use of temporary selective measures where particular industries which are viable in the long term are suffering serious injury as a result of increased imports. It remains the Government's intention to reduce such selective measures as exist as soon as circumstances permit.

The United Kingdom is determined to make its fullest contribution to the expansion of world trade. But its capacity to do so will depend on how fast other countries expand and on their willingness to maintain open markets and non-discriminatory trading arrangements.

Exchange Control

Changes in the exchange controls governing export of finance capital were announced on 21 December 1977. The alterations, which apply principally to the European Community, except for the abolition of the 25 per cent surrender rule which applies to all foreign currency securities, took effect on 1 January 1978 and comprise: changes in the conditions governing the availability of official exchange for outward direct investment in other Community countries under the 'super-criterion' arrangements; increases in the limits for personal capital movements in a Community context involving emigration, cash gifts and dowries; abolition of the 25 per cent surrender rule; and new arrangements for loan-financed portfolio investment in quoted securities issued by the European Economic Community, the European Investment Bank, the European Coal and Steel Community and Euratom.

These changes follow discussions between the Government and the European Commission about Britain's commitments, under the Treaty of Accession, to a progressive removal of restrictions on capital movements within the Community. The Commission has authorised the maintenance of the remaining restrictions on those capital movements covered by the relevant Community directives during 1978, subject to further review at the end of the year. All other exchange controls continue in force.

'Super-criterion' for Direct Investment

For projects in Community countries, the 'super-criterion', the basis on which official exchange is made available to British companies investing abroad, will allow for official exchange (that is the purchase of foreign exchange at the official rate) up to the equivalent of £500,000 (the level remains £250,000 elsewhere) or 50 per cent of the total cost of the investment to Britain, whichever is the greater. It will apply to projects where the investment directly promotes exports of British goods and/or services and is judged likely to produce benefits to the balance of payments equal to or exceeding the amount invested within three years (an extension of the 18-month period which still holds for projects elsewhere) and continuing thereafter.

Apart from buying exchange at the official rate firms making direct investments of this kind can finance them from unremitted overseas profits, by raising local funds abroad, or by buying foreign currency at a premium on the 'investment currency' market. Investment currency commands a premium because the supply of it is limited, being derived solely from British-owned assets abroad (see below).

Personal Capital Movements

The new limits applicable for destinations in other Community countries are: for emigration, £80,000 basic allowance of official exchange per family unit (previously £40,000); for cash gifts, £3,000 per donor per year (previously £1,500); and for dowries, £7,500 additional to cash gifts, from a parent in any one year (previously £3,600).

Surrender Rule

Since 1965 there has been an exchange control requirement that, whenever a British resident sells or otherwise receives the liquidation proceeds of a foreign currency security, 25 per cent of the proceeds must be disposed of through the official foreign exchange market, that is, at the official exchange rate, and only the remaining 75 per cent sold with the benefit of the investment currency premium. This has resulted in a yield to the reserves recently running at about £200 million a year. The 25 per cent surrender requirement was abolished from 1 January 1978 in relation to all foreign currency securities, and not just those from other Community countries.

Loan-financed Portfolio Investment

Under current rules, professional managers of securities may be allowed to borrow foreign currency (or arrange such borrowing on behalf of clients resident in Britain) to finance outward portfolio investment instead of having to use investment currency. Such loans are repayable only out of the realisation proceeds of the foreign currency securities so acquired or, in the event of a shortfall, with investment currency. Under the new arrangements, repayments of borrowings made to buy quoted securities of the European Economic Community, the European Investment Bank, the European Coal and Steel Community and Euratom will be allowed over a period of five years with official exchange.

Company Law Reform: The Conduct of Company Directors

A White Paper[1] published on 29 November 1977 describes the Government's plans to strengthen the law on the conduct of company directors and to prohibit dealing in securities by those who have confidential information derived from an insider position or source. The Government intends to introduce legislation to provide a statement in statute law of the duties and responsibilities of directors; to require them to take into account the interests of employees as well as shareholders; to tighten the law on loans to directors; to introduce new rules affecting company transactions in which a director has a private interest; and to make insider dealing a criminal offence. The proposals represent a further step in the Government's broader programme of company law reform.

White Paper's Proposals

Introducing the White Paper, the Secretary of State for Trade, Mr Edmund Dell, said that the Government considered that the abuses revealed in recent company investigations required action to strengthen the law in the interests of shareholders, creditors and employees. He said that he did not believe that any of the White Paper's proposals would pose serious problems for company directors in Britain, the vast majority of whom were obviously law-abiding. The aim was not to handicap legitimate business activities but to discourage those few directors who were tempted to abuse the law.

Duties of Directors

The duties and responsibilities of directors are part of common law and are not defined in statute. The White Paper says that the Government now considers that a general statement of the duties of directors should be included in statute law.

Interests of Employees

Employees should also be given legal recognition by company law. In the statutory definition of their duties, directors will be required to take into account the interests of employees as well as of shareholders

[1] *The Conduct of Company Directors.* Cmnd 7037. HMSO, 35p. ISBN 0 10 170370 3.

and to send the company annual report and accounts to all employees as well as to shareholders. In addition, directors will be allowed to make extra provision for employees when closing down the whole or any part of the business.

Loans to Directors

Although the Companies Act 1948 prohibits (with some exceptions) loans by companies to their directors, there have been a number of serious cases where directors have sought to circumvent the law and obtain large sums of money. The Government proposes to widen the law to prohibit, subject to certain exceptions, loans to directors' families and to companies in which a director has an interest, as well as loans to directors themselves, and to make breach of these provisions a criminal offence. Where there are exceptions, the loans should be kept within specified limits and should be disclosed in the company's accounts. The exceptions are money advanced to meet necessary expenses incurred on the company's behalf, which will be subject to a limit of £10,000; and loans made in the course of the business of a company whose ordinary business includes the lending of money, where the loan will be limited to £50,000, on normal commercial terms. Loans made between companies that are members of the same group will not be subject to these prohibitions or restrictions but the law will require that they are disclosed in the accounts.

Directors' Conflicts of Interests

Specific statutory provisions are proposed to cover transactions, other than loans, where a director's duty to his company may conflict with his private interests. It is intended therefore that the approval of the company in a general meeting will be required for directors' service contracts for periods of longer than five years, and for significant contracts involving the transfer of assets between a company and a director, his family or another company in which the director has an interest. Other transactions involving a possible conflict of interests will have to be disclosed in the company's accounts. In addition, the Government intends to make it easier for minority shareholders to take action more readily to protect their interests.

Non-executive Directors

The White Paper recognises the valuable role non-executive directors play in the affairs of a company and welcomes the consideration now being given in Britain to the North American practice of appointing audit committees of mainly non-executive directors.

Insider Dealing

The Government believes that insider dealing – trading in securities by a person who has confidential information affecting their value which is derived from an inside position within the company whose shares are the subject of the transaction – gives directors and other insiders an unfair advantage and undermines public confidence in their integrity. The White Paper therefore proposes that insider dealing in certain circumstances and by certain people should be a criminal offence. At the same time the White Paper stresses that it will not be possible 'to produce a perfect answer to the problem which will enable the immediate identification and conviction of every wrong-doer, but the Government intends to establish as soon as possible that insider dealing is an offence and to create penalties which will be sufficient in most cases to deter those who are tempted to use inside information for their own personal gain'. The provisions will apply primarily to insiders such as directors, employees, substantial shareholders and people having a professional or business relationship with the company, but will also cover those who knowingly receive inside information from such people.

Legitimate trading by directors or employees who hold their own company's shares will be safeguarded. Where the transaction involves direct, contractual relationship between the parties, which does not happen in Stock Exchange dealings, it will be an offence for an insider not to reveal his connection with the company whose shares are being dealt with.

Forthcoming Legislation

Legislation to implement the White Paper's proposals is being prepared. The legislative programme for company law reform also includes a Bill to implement the European Community Second Directive on Company Law and a new Order-making power to provide for greater disclosure of information in company reports. Consultative documents on both these issues have been published (see p 324, 1977). Other recent measures related to company law reform have included a consultative document on the amendment of the Prevention of Fraud (Investments) Act 1958 (see p 323, 1977); the setting up of a committee, chaired by Sir Harold Wilson, on financial institutions (see p 446, 1976); and a review of the impact of company law on small companies.

Industrial Training

NEW PROGRAMME

A new programme to ensure an adequate supply of skilled manpower in the future has been approved by the Government and the Manpower Services Commission (MSC).

The programme is based on a report, *Training for Skills – A Programme for Action*,[1] published by the MSC on 5 December 1977, which proposes a four-stage approach to ensure that the demand for skills in industry is fully met and that future expansion is not held up by manpower shortages. The stages are as follows:

1 Each sector of industry and commerce should assess its future manpower needs realistically, and

[1]Available from the Manpower Services Commission, Selkirk House, 166 High Holborn, London WC1V 6PF.

take action to prevent serious skill imbalances developing.

2 The MSC should co-ordinate action where imbalances in a particular skill would affect several industries.

3 Industrial training boards (ITBs) and other competent organisations should identify cases where they need additional help.

4 The MSC should provide such help once satisfied that it is really required.

Announcing the Government's approval of the programme in a written answer to a question in the House of Commons on 5 December 1977 (*Hansard*, written answers, cols 599-600), the Secretary of State for Employment, Mr Albert Booth, said that the report had been prepared by the MSC's Vital Skills Task Group, set up because there had not been sufficient agreement on earlier proposals to improve the supply of skilled people (see p 342, 1976). Mr Booth said that while the appropriate level of public support would not be clear until proposals had been developed and considered, he anticipated that up to £60 million a year might be made available as a contribution from public funds towards the cost of these schemes and for other key training in industry.

The new programme would come into operation by the autumn of 1979 on the basis of proposals from ITBs and other organisations, to be sent to the MSC by the autumn of 1978; in the meantime, there would be a final programme of special training measures for 1978-79.

A high priority would now be given to an immediate industry-by-industry review of provision for acquiring skills. Industry would later be provided with extra help where this was essential to secure adequate training, while special attention would be given to supporting the Government's industrial strategy (see pp 122 and 309, 1977.)

Details of MSC Report

The report examines how skill shortages occur and concludes that much needs to be done to make the labour market work more effectively – the main obligation to do this resting with empolyers and trade unions, who were capable of reaching agreement on industrial practices whether at plant, company or industry level. The MSC should intervene only where it was clear that this was the only way of securing aims of national importance.

The report suggests criteria which ITBs, other appropriate bodies and the MSC should adopt when preparing manpower and training plans. These included the following recommendations and proposals:

1 Account should be taken of how training schemes are to apply to both young people and adults, whether in employment or not.

2 All training should lead to agreed standards.

3 The recruitment of young people for occupations which require lengthy training should be systematically planned and adequate for future needs.

4 In craft and technician training, the length of training should be related to what has to be taught and on the rate of learning of the individual, with incentives to qualify as quickly as possible.

5 There should be flexibility on age of entry into training.

6 Opportunities should be available for the later acquisition or updating of skills.

The report recommends that the MSC should contribute where these criteria have been observed but key training objectives cannot be met without additional support.

Energy Conservation

The Secretary of State for Energy, Mr Anthony Wedgwood Benn, has announced a further series of measures designed to conserve energy. Several are concerned with improving the levels of insulation in buildings, and increased public expenditure is being allocated to installing thermal insulation and heating controls in publicly owned buildings. Other measures include the provision of more money for information and advisory services, a publicity campaign aimed at encouraging motorists to save petrol, and discussions between the Government and the motor industry on improving the usage of petrol by motor cars. Some of the measures will take up to ten years to complete, by which time they may have brought annual savings of up to 10 million tonnes of oil equivalent, worth some £700 million at 1977 prices. Previous energy conservation measures (see pp 480-1, 1974; 337-8, 1976; and 390, 1977) have already contributed savings estimated at some £2,000 million over the last four years.

MEASURES

Details of the measures were given by Mr Benn in a statement in the House of Commons on 12 December 1977 (*Hansard*, cols 30-3). He said that energy conservation had a major role to play in future energy policies, as had been recognised at the Downing Street Summit in May 1977 (see p 226, 1977). He had initiated a review of energy conservation measures, following recommendations made by the Advisory Council on Energy Conservation, with the aim of bringing about a significant reduction in the future growth of energy demand. The programme contained 11 measures:

1 The Property Services Agency (responsible for services in most Government buildings) would extend its programme for reducing energy consumption at a cost of £5 million a year.

2 Additional expenditure – £5 million in 1978-79 and £10 million in each of the following three financial years – would be made under the long-term programme for installing thermal insulation and heating controls in National Health Service buildings.

3 A similar programme was in progress in educational buildings and the Government intended to allocate to this programme an additional £10 million in 1978-79 and £20 million in each of the succeeding three years.

4 The Government would discuss with local authorities the substantial opportunities for energy savings in their non-domestic buildings other than schools. Additional funds of up to £7 million a year would be made available for the necessary staff to secure efficient energy management and for the installation of heating controls.

5 The Government was launching a ten-year programme to bring public sector dwellings, primarily local authority houses, up to a basic minimum standard of thermal insulation. Over two million dwellings would be treated and the programme would bring major social benefits. Provision was being made for annual expenditure of £28·5 million over the next four years, while a further £2 million a year would be spent on improving the insulation of Ministry of Defence dwellings.

6 Outside interests had been consulted on proposals for building regulations prescribing thermal insulation standards in new non-domestic buildings, and regulations were expected to be made shortly. In addition, the introduction of building regulations requiring the provision of appropriate controls on heating systems installed in new non-domestic buildings or on their replacement in existing non-domestic buildings was under consideration and a consultative document would be issued as soon as possible.

7 A new Government advisory and training service would be set up to promote efficient energy management in non-domestic buildings.

8 Information and advisory services to industry (see COI short note, *Enery Conservation*, SN5993) would be expanded and the Government was allocating £4 million in 1978-79 and £5 million in each of the following three years for this purpose.

9 More money was also being allocated for an expanded programme of research and demonstration projects to show industry the potential for energy saving (see p 390, 1977).

10 The Government had opened discussions with the motor industry on possible targets for raising the average miles per gallon achieved by new cars and on methods of realising these targets. Mr Benn said that more efficient motor vehicles could make a significant contribution to containing the growth in demand for motor fuels.

11 A further £500,000 a year would be devoted to an information and publicity campaign to persuade motorists to ensure that their cars were well maintained and to drive more economically.

Mr Benn said that these measures would involve additional public expenditure on energy conservation of some £65 million in 1978-79, rising to over £80 million a year in each of the next three years. They would be financed as far as possible from savings elsewhere in departments' programmes, including in later years savings on energy consumption resulting from the investment made in earlier years. The conservation programmes would take up to ten years to complete. Mr Benn noted that the measures represented an important stage in the development of Britain's conservation programme. Further measures would be implemented if necessary.

Railways

The Government has issued a White Paper containing its response to the House of Commons Select Committee report on the role of British Rail in public transport, issued in May 1977. It welcomes the report as an authoritative contribution to the debate on transport policy and notes that its views are in agreement with those of the committee on several important issues. Both agree that British Rail has a major role in passenger and freight transport, and that 'at its best the standard of service that it provides can stand comparison with any other railway in the world'. The White Paper includes a number of Government decisions such as a review of further electrification, the publication of more detailed information, and the transfer of control of Freightliners Ltd (the operator of the freightliner road/rail containers service) to the British Railways Board. In December 1977 the Piccadilly Line extension to Heathrow airport was opened, making Heathrow the world's first large international airport to be linked with the underground railway of a major capital city. Passengers are now able to travel directly between the airport and central London by the Underground.

WHITE PAPER

The White Paper,[1] published on 30 November 1977, is a detailed reply by the Government to the Select Committee's report on the role of British Rail in the broad context of public transport (for publication details, see p 249, 1977), although the White Paper on transport policy (see pp 274-6, 1977) covered some of the committee's points – for example, the decision to introduce a special replacement allowance from 1 January 1978 for the renewal of assets connected with rail passenger operations. The Government and the committee agree that British Rail has 'an important and continuing role in both passenger and freight transport', and that no major cuts should be imposed on the railway network. Other points where they are broadly in agreement are that the terms of competition between the various modes of transport should be fair; that intercity transport should be financially viable and subsidies should be removed from freight and parcels traffic; that there is a need for further improvements in

[1] *The Role of British Rail in Public Transport.* The Government's Response to the First Report from the Select Committee on Nationalised Industries, Session 1976-77. Cmnd 7038. HMSO, 75p. ISBN 0 10 170380 5.

productivity, while keeping fare increases at a reasonable level; and that more relevant and detailed information should be available on the operation and financing of public transport. Government decisions announced in the White Paper include the establishment of a review with the British Railways Board of the general case for further mainline electrification; the publication for the first time of a breakdown of the public service obligation (PSO) grant for the rail passenger network (which is included in the White Paper); and the initiation of a study, jointly with the nationalised public transport industries in Great Britain, on the publication of additional information about their operations. The White Paper also records the decision to transfer to the British Railways Board the control of Freightliners Ltd, at present jointly owned by the board and the National Freight Corporation (which has a 51 per cent stake); the Transport Bill, which has been introduced in Parliament, includes provisions for this transfer. However, the White Paper notes the Government's rejection of one of the committee's main recommendations, that the PSO grant could be substantially reduced, from £325 million in 1975 to £150 million by 1981. It says that this reduction could be effected only by major reductions in the railway network, 'a policy the Government has firmly and decisively rejected'.

UNDERGROUND EXTENSION TO HEATHROW AIRPORT

The second stage of the extension of London Transport's Piccadilly Line from Hounslow West to Heathrow Central was opened by the Queen on 16 December 1977. The 3·5-mile (5·6-kilometre) extension provides an alternative means for airline passengers to travel between the airport and central London. It is estimated that about 11 million passengers a year will travel on the Underground to or from Heathrow, and congestion on the roads around the airport is expected to be eased. Construction work started in 1971 and the first stage, from Hounslow West to Hatton Cross, began operating in July 1975. The cost of the extension is £30 million, which is being financed by London Transport (50 per cent), the Government (25 per cent) and the Greater London Council (25 per cent). The main contractors were W. and C. French (Construction) Ltd for the section between Hounslow West and Hatton Cross, John Mowlem and Co Ltd for the section between Hatton Cross and Heathrow Central, and Taylor Woodrow and Co Ltd and F. G. Minter Ltd for Heathrow Central station, while the consulting engineers were Sir William Halcrow and Partners.

Frequent Underground services are operated from Heathrow Central, running every four minutes in peak periods, and the journey to Piccadilly Circus in the centre of London takes 40 minutes and costs 80p. New rolling stock has been gradually introduced on the Piccadilly Line since 1975 and most of the 88 trains ordered at a cost of £41·2 million are now in service. They incorporate several special features including longer cars, more floor space for luggage, and a new electrically-controlled braking system.

Heathrow Central station is connected to the airport's three passenger terminal buildings by moving walkways. As well as a travel information centre, there is a computer-controlled journey planner, which provides a passenger with a coloured diagram of the suggested route to his destination together with a description in English, French or German.

Shorter Notes

EXPORT FINANCE

The Secretary of State for Trade, Mr Edmund Dell, has announced that new arrangements for sterling finance for exports with credit terms of two years or more will be introduced by the Export Credits Guarantee Department (ECGD) from 1 April 1978 (*Hansard*, 15.12.77, written answers, cols 299-300). Hitherto sterling export credit has been provided by commercial banks until the sums involved equalled 21 per cent of the sterling deposited in non-interest-bearing accounts at the banks. Any credit in excess of this limit was reimbursed to the banks by the ECGD which thus acted, in effect, as lender of amounts over 21 per cent. (Similar arrangements have been operated by the Department of Industry for financing domestic shipbuilding orders.) Until 31 March 1978 the banks are to raise the limit to 24 per cent. From 1 April, banks will provide all the sterling finance needed in respect of export loans due for repayment within five years. ECGD and Department of Industry refinancing will be restricted to amounts due for repayment more than five years after being lent. The Government aims to reduce public expenditure on refinancing which has risen from £292 million in 1972-73, when the scheme started, to £505 million in 1976-77.

OVERSEAS PROJECT INSURANCE

A new insurance scheme for British exporting industries carrying out the largest overseas projects, worth £50 million or more, was announced in the House of Commons by the Secretary of State for Trade, Mr Edmund Dell, on 15 December 1977 (*Hansard*, written answers, cols 300-1). The Export Credits Guarantee Department (ECGD) is to extend the facility whereby it insures the risk of losses arising in large overseas contracts from the insolvency of a sub-contractor or consortium partner. For an experimental period of three years, and on a selective basis, the ECGD will insure British exporters against a proportion of losses which may arise in a situation falling short of actual insolvency of the British sub-contractor or consortium partner, though excluding causes of loss which should properly be the subject of *force majeure* clauses. The facility will be available only for overseas projects which constitute particularly attractive export business in the national

interest, of which the value is £50 million or more, and for which the British participants have a demonstrable commercial capability. Hitherto some main contractors have had to include large contingency sums in their tenders which in some cases have been rendered uncompetitive. The object of the new facility is to remove this barrier by replacing the large contingency sums by a smaller sum representing the premium payable for the cover.

NATIONAL ENTERPRISE BOARD: DEFINITION OF FINANCIAL DUTIES

The financial duties of the National Enterprise Board (NEB) in respect of investments in companies other than British Leyland and Rolls-Royce have been set out by the Secretary of State for Industry, Mr Eric Varley, in a written answer to a Parliamentary Question (*Hansard*, 1.12.77, cols 355-7). The main issue is the target rate of return on capital employed. The definition excludes loans to companies in which the NEB has no share interest – the NEB's guidelines (see p 168, 1976) already require it to charge, in lending to subsidiaries or other companies, not less than commercial rates of interest. Similarly excluded are the investments which the NEB is required to make to assist a company in financial difficulties, since these are accounted for separately.

The Government has determined that the NEB should conduct its activities with the object of securing in 1981 a rate of return on capital employed, before interest and taxation, within the range of 15 to 20 per cent. In the years leading up to 1981 the NEB is to maintain steady progress towards this objective. The average rate of return which manufacturing industry is expected to secure in 1981 on capital employed is estimated at about 20 per cent, but if it becomes apparent that this rate is likely to differ significantly, this will be taken into account in judging the NEB's performance. The Government recognises, however, that the NEB's purposes are wider than those of commercial enterprises and that in appropriate cases it can take a long-term view of its investments.

For this definition the rate of return will be taken as the consolidated profit (including investment income and share of profits or losses of associated companies) before interest, taxation and minority interests as a percentage of the capital employed. The capital will be taken to comprise the aggregate of public dividend capital, reserves, loans from the Government, other loans, deferred taxation, minority interests, overdrafts and short-term borrowings less bank balances and deposits.

BRITISH AEROSPACE

British Aerospace, the publicly owned corporation established in April 1977 (see p 193, 1977), achieved management unification on 1 January 1978 when it acquired the assets and business of the British Aircraft Corporation, Hawker Siddeley Aviation, Hawker Siddeley Dynamics and Scottish Aviation. The corporation now operates through two major groups: the Aircraft Group, consisting of six divisions, and the Dynamics Group, consisting of two divisions.

The Secretary of State for Industry, Mr Eric Varley, presented to Parliament on 6 December 1977 separate reports on management organisation and industrial democracy submitted by the corporation (*Hansard*, written answers, cols 681-2). In its report on organisation, British Aerospace showed that it was working to establish an integrated management structure which struck a balance between the decentralisation of management (an objective mentioned in the Aircraft and Shipbuilding Act 1977) and the need to promote unity and consistent policies within the corporation. Further changes in management structure would follow as experience and decisions on major projects made these necessary. The report on industrial democracy, which comprised the recommendations of a joint working party established by British Aerospace and the Confederation of Shipbuilding and Engineering Unions, envisaged a series of participatory councils composed of management and employee representatives at all levels of the corporation. This scheme is to be discussed further with employees and a progress report is to be made by 30 June 1978.

The corporation's first major export order to be won since its formation was finalised on 29 December 1977. British Aerospace is to supply 50 *Hawk* trainer aircraft, worth £100 million, to the Finnish airforce. As part of the agreement the corporation has undertaken to assist Finnish industry in selling its goods throughout the world. Manufacture of the planes will be centred on factories at Kingston/Brough in Humberside and Hamble in Hampshire, with final assembly of 46 of the aircraft in Finland.

ELECTRIC VEHICLES

A Government-sponsored scheme to assess the performance of modern electric delivery vehicles in London was initiated towards the end of 1977 by Mr Alan Williams, Minister of State, Department of Industry, and is expected to last about three years. Mr Williams said that the scheme, the result of co-operation between the Department of Industry, the Department of Transport, the Greater London Council, vehicle manufacturers and operators, was probably the first of its kind in the world. Electric delivery vans were the most likely type of electric vehicle to be able to compete successfully with equivalent vehicles using petrol or diesel as a fuel.

The Department of Industry is contributing up to £400,000 to subsidise the purchase of electric delivery vans by operators, mostly commercial firms and public bodies. The vans will have a maximum speed of 45 to 55 miles per hour (72 to 89 kilometres per hour) and a range of 50 to 60 miles (80 to 97 kilometres) before recharging of batteries is necessary. A total of 62 vehicles will be operated

comprising 25 *Bedford*-based vans from Joseph Lucas Ltd in association with Vauxhall Motors Ltd; 25 *Silent Karriers* from a consortium of Chloride Technical Ltd, Chrysler Motors (UK) Ltd and the National Freight Corporation; and 12 vehicles from Crompton Electricars Ltd.

MEMBERSHIP OF TRADE UNIONS 1966-76

The proportion of the working population in the United Kingdom represented by trade unions rose from 40 per cent in 1966 to 46 per cent in 1975 and 47 per cent in 1976 (trade union membership figures standing at about 10,259,000 at the end of 1966, 12,017,000 at the end of 1975 and 12,376,000 at the end of 1976).

This information was given in an annual article on trade union membership in the November 1977 issue of the *Department of Employment Gazette* (HMSO, £1·20, ISBN 0 11 724493 7). The 1976 figure includes 68,000 members in branches in the Irish Republic and 38,000 in other branches outside the United Kingdom; there were thus about 12,270,000 members of branches within the United Kingdom with 268,000 in Northern Ireland and 12,002,000 in Great Britain.

The article shows that over the ten years 1966-76 the number of separate unions declined by 25·7 per cent, from 622 to 462. The gradual process of concentration into larger unions is also shown by the fact that in 1976, the 25 largest unions, each with membership of 100,000 or more, together accounted for 79·5 per cent of total union membership, compared with 67·6 per cent in 1966.

At the end of 1976 there were 46 federations of trade unions in Britain, the same number as in 1975.

Preventing Ill-health

A White Paper[1] published in December commits the Government to a long-term strategy of promoting health through increased preventive activities. Since much ill health can arise from unwise behaviour such as smoking, drug dependence, excessive drinking and overeating, the aim is to encourage people to adopt healthier living habits and so avoid unnecessary illness and injury.

The document sets out the Government's strategy in response to the report on prevention issued by a sub-committee of the House of Commons Expenditure Committee in 1977 (see pp 201-2, 1977). Among the many topics it discusses are health education, screening (looking for disease in apparently healthy people), cigarette smoking, alcoholism, preventive dentistry, nutrition, child health, and family planning.

Policy on Prevention

The Government says that after the foundation of the National Health Service (NHS) in 1948 attention was devoted mainly to securing a more equitable distribution of specialist facilities throughout the country with priority being given to developing acute services (for surgery, gynaecology and child birth), new hospital building, and the restructuring of primary health care around the general practitioner. As a result less emphasis may have been placed on prevention than was desirable.

The White Paper argues that prevention cannot be viewed in total separation from curative treatment and care and that there can be no question of downgrading important acute services to pay for prevention. It says that the problem of priorities is far more complex and that prevention, cure and care are all essential parts of an effective health service.

The general question of whether the Government should intervene is discussed in the context of the importance of the liberty of the individual. On the one hand, he or she must decide whether to smoke fewer cigarettes, drink less alcohol or choose a more balanced diet; on the other, preventive medicine has always involved some limitation of the freedom of individuals, for their own good and that of the community. The case against intervention would be easier to accept, says the White Paper, if it were true that only the individual suffered from his or her own folly. Disease or injury arising from such neglect may, for instance, result in disability which can impose a long-term burden on a family. The White Paper says that 'often it is society as a whole that has to meet the bill. The real question is not whether the Government should intervene but when and how.'

As part of its increased awareness of the issue, the Government published in 1976 a consultative document, *Prevention and Health: Everybody's Business* (see pp 179-80, 1976), which the White Paper describes as 'an unequivocal change of policy within the health departments towards prevention'. This was followed by separate papers on pregnancy and child birth (see p 396, 1977) and on occupational health services (see p 33). Further papers are being published in 1978 on nutrition and on alcoholism. Other booklets in the series will deal with heart disease, health education, care of the elderly and mental health.

Health Education

Further expansion in, and improvement of, health education is supported by the White Paper which says that it has become more effective since the reorganisation of the NHS in 1974. There are, for instance, medical officers whose functions include advising health authorities on the promotion of health education. In addition there are specialist officers with executive responsibility for health education.

Increased financial backing has been given by the Government to the Health Education Council and the Scottish Health Education Unit which promote national campaigns on issues such as the dangers to health of smoking. For each of the two years 1977-78 and 1978-79 the Health Education Council is receiving an additional £1 million from the Government to support expansion of training and campaign activities; similar additions are planned for future years.

The White Paper stresses the part played by the education system. Schools and teacher trainers are encouraged by the schools inspectorate to review the adequacy of provision for health education and their general approach to the subject. A revised edition of a handbook on *Health Education in Schools* was published in November 1977 (see p 471, 1977).

Screening

The Government says that widespread screening is

[1] *Prevention and Health.* Cmnd. 7047. HMSO, £1·60. ISBN 0 10 170470 4.

justified only when the disease can be effectively treated and where early detection makes successful treatment more likely. It must involve little risk, be acceptable to the public and be reasonable in cost. The screening of large numbers of middle-aged people is not regarded as practicable, but selected screening of special groups can be a valuable preventive measure, and the matter remains under review.

Recent screening programmes include tests to search for possible cancer of the cervix which have identified abnormalities – many probably pre-cancerous – in thousands of women; emphasis is placed on screening women at greatest risk, namely those over 35 or young women who have had three or more pregnancies.

Another screening test is used on pregnant women to discover abnormalities of the unborn child by drawing fluid from the sac around the unborn baby; this is particularly useful where a mother may be in danger of having a child with a disorder such as Down's syndrome (mongolism). The White Paper says that it is not suitable or necessary as a general screening service when there is no special cause for alarm. In addition feasibility studies are being supported and health authorities being consulted about the most effective way of making simple blood tests on pregnant women which can identify most of those at risk of having a child with spina bifida or anencephaly (defect of the skull and absence of the brain).

The Government opposes a national breast cancer screening service for all adult women on the ground that it has not yet been shown whether it is likely to be effective and safe. There is, however, a clear case for trials to be held, and these have been approved for two types of breast cancer screening service.

Smoking

A reduction in sickness and death caused by cigarette smoking represents, in the Government's view, one of the greatest challenges for preventive medicine. The White Paper quotes the recent Royal College of Physicians report, *Smoking or Health* (see p 250, 1977), which estimates that each year some 25,000 deaths in Britain of people aged between 33 and 64 are attributable to smoking. The Government argues that legislation against smoking cannot be justified in a free society, and stresses the gradual progress being made through health education and other action to reduce smoking and the hazards associated with it. In 1975, for instance, the proportion of cigarette smokers among males aged over 16 was 47 per cent compared with 62 per cent in 1950. The proportion of female smokers reached 42 per cent in 1956 but has not varied significantly since, although there appears to have been a slight fall in recent years.

Since the Government began publishing its five tables of tar yields by brand in 1973, the sales of high tar and middle-to-high tar cigarettes have fallen from 17 to 11 per cent of sales; conversely sales of low tar and low-to-middle tar cigarettes have risen from 8 to 19 per cent of sales. (Most smokers use middle tar brands.) Where smokers are unable to give up the habit, Government policy is to continue encouraging them to change to brands giving lower tar yields. As a result of an agreement between the the Government and the tobacco industry (see p 130, 1977), all high tar cigarettes are to be phased out by 1979. The code on advertising practice has also been strengthened. (A summary of action taken to discourage cigarette smoking is contained in COI short note, *Smoking and Health in Britain*, SN5987.)

Alcoholism

The Government is concerned about alcohol abuse, and in 1975 set up an Advisory Committee on Alcoholism. A consultative document on the misuse of alcohol is to be issued later in 1978. The White Paper does not support any plans to relax the licensing laws at the present time, and accepts the need to tighten up the law on drinking and driving. It also recognises the importance of price in raising or moderating overall demand for drink.

Nutrition

The White Paper notes that publicity and health education need to be directed towards persuading people to adopt a balanced diet. The role of government is to ensure that food and food products are safe and fit for consumption and that advertising and labelling are truthful and accurate. It is proposed to seek formal powers to examine all new foods and food additives and to provide licences in the same way as the Committee on Safety of Medicines licenses all new medical products.

On diet, the Government accepts that a high proportion of fats in the diet may represent a hazard to health. However, it does not agree that a reduction of fat intake and a switch from saturated to poly-unsaturated fats are to be regarded as simple alternatives. A separate paper on diet and health will be published later in 1978 explaining how diet can help to promote health and avoid disease.

Preventive Dentistry

The Government reaffirms its view that fluoridation of water supplies is the most effective protection against dental decay, for it can provide the foundation for strong and healthy teeth which sound habits of hygiene and diet can maintain in good condition. About 9 per cent of the United Kingdom population receives fluoridated water (in areas where it does not occur naturally). Health authorities decide whether fluoride should be added to water supplies.

Advice from a dentist or trained member of a dental team is also an effective way of promoting better dental health. Another is the employment of dental hygienists who clean, scale and polish teeth and give advice on oral hygiene. The White Paper says that the number of dental hygienists has increased to 900 from 750 in 1974, and that it is hoped to increase their number to 2,500 once funds become available.

Child Health

The Government shares the committee's view that preventive measures are particularly important for the health care of children, and says that preventive medicine has contributed in large measure to the radical improvement in the health and life expectancy of children in this century.

Vaccination and immunisation have helped to

reduce the incidence of infectious disease. Government health ministers are advised by a body of medical and scientific experts, the Joint Committee on Vaccination and Immunisation. Vaccination against diphtheria, tetanus, whooping cough, poliomyelitis, measles and tuberculosis is available for children. Vaccination against rubella is available for girls aged from 11 to 14 and for women of childbearing age who are screened and found to need it, to prevent babies being born with congenital rubella defects. The White Paper says that the joint committee has reviewed the evidence on the risks and benefits of whooping cough vaccine and has published a report reaffirming its view that this vaccination should be continued.

Health surveillance of young children is another important aspect of preventive medicine. The Government health departments are preparing a document asking health authorities to ensure that a basic programme of surveillance is offered for the testing of all children at appropriate ages for specific conditions such as disorders of hearing and vision and phenylketonuria (a rare but severe form of mental deficiency).

Accidents in the home are a serious source of concern. The White Paper records that the Department of Prices and Consumer Protection has begun a scheme of accident surveillance involving hospital accident and emergency departments in England and Wales in order to provide information about the causes of injuries and to draw up priorities for preventive action. Measures taken under the Consumer Protection Act 1961 deal with accidents resulting from badly designed or faulty products: regulations already made include those dealing with stands for carry cots, nightdresses (inflammability), toys, children's clothing (strangulation hazard) and fireguards.

Action is also being taken to reduce the number of cases involving medicinal poisoning: under new regulations, asprin and paracetamol are packed in containers designed to resist opening by children. Further regulations will shortly require most medicinal products to be labelled: 'Keep out of the reach of children'.

Family Planning

The White Paper says that family planning is potentially one of the most effective measures in preventive medicine since it can result in considerable savings for the health and social services as unwanted pregnancies may result in abortion, involve treatment for serious stress, or sometimes require intervention following a breakdown in the care of the child. It can also save the anguish and distress of unintended pregnancies, abortions and of unwanted children growing up in unpromising circumstances.

Under the NHS, the Government points out, there is a free family planning service available to all who need it. The service has been a success for it is reasonable to believe that it has contributed to the reduction in the number of terminations of pregnancy since the peak in 1973 and to the continuing fall of pregnancies conceived outside marriage. In the period between 1972 and 1976 (England and Wales), the combined figure per 1,000 for unmarried women of illegitimate births, abortions, and pre-marital pregnancies showed a percentage fall of 21 per cent for the age group 20-24 and a 24 per cent fall for the age group 16-19. Corresponding figures for Scotland were 29 per cent and 17 per cent. For the first time in six years there was a fall in 1976 in the rate per 1,000 for girls under 16.

Help for the Disabled

Another increase in mobility allowance and details of a scheme to help severely disabled people to obtain the use of a vehicle were announced in December in the House of Commons by Mr David Ennals, Secretary of State for Social Services.

Mobility Allowance

Mr Ennals said (*Hansard*, 6.12.77, cols 1124-39) that the mobility allowance, payable to severely disabled people unable or virtually unable to walk, would be increased from £7 to £10 a week in July 1978. (The allowance went up from £5 to £7 in November 1977.) The new rate would be protected against inflation and be increased every year starting in November 1979. (At present people aged between 5 and 55 can claim the allowance.) When the scheme is fully operational, it will also include people between 55 years of age and minimum pension age (65 for men and 60 for women) and will cover some 100,000 people.

Motability

A new voluntary organisation, Motability, has been created to assist disabled drivers and disabled passengers who want to use their mobility allowance to obtain a vehicle. The purpose of Motability is to give the best information and advice about the choice of cars and adaptations needed to the normal controls. It is also working out a scheme for disabled people to lease cars at minimum cost: this is being done with the aid of up to £100 million provided by the clearing banks on very favourable terms. Other assistance by Motability will be a system of grants to disabled people whose own resources are insufficient to meet the full costs of the required mobility; money for this is being raised by a public appeal.

Disabled people will be free to decide for themselves whether or not to use Motability's facilities or to make their own arrangements.

Motability has the support of the Government and the official parliamentary Opposition. The members of its council are drawn from the professions, finance and industry, the trade union movement, and voluntary organisations. The Government is giving administrative support, including a grant towards expenses. Motability will also work in conjunction with the Royal Association for Disability and Rehabilitation and corresponding organisations in Scotland, Wales and Northern Ireland.

Shorter Notes

THE PRESS COUNCIL

The Press Council has accepted the recommendation of the Royal Commission on the Press that it should consist of equal numbers of press and non-press members, plus an independent chairman. Hitherto, although complaints about the conduct of the press have been investigated by a committee of equal numbers of press and non-press members, the council itself has had a majority of press members.

The council is to publish a booklet later in 1978 dealing in detail with its response to the Royal Commission's proposals (which are summarised on pp 284-6, 1977).

ADULT LITERACY

Outline agreement has been reached on the establishment of an Adult Literacy Unit to act as a focus for adult literacy work and related matters and to commission special projects of relevance to local authorities. An agency of the National Institute of Adult Education, the unit will channel some limited funds to voluntary bodies engaged in literacy programmes, although as a general principle the Government expects voluntary organisations to look to local sources of finance for support. The unit will exist until March 1980, and, subject to parliamentary approval, will have funds of about £300,000 a year (see *Hansard*, 5.12.77, written answers, cols 547-8).

(*Background:* Under the special campaign started in 1975 to combat adult illiteracy, an Adult Literacy Resource Agency was established by the National Institute of Adult Education to administer funds of some £3 million which the Government made available to assist local education authorities and other bodies working to reduce adult illiteracy – see p 493, 1974 and p 483, 1976. Almost 100,000 adults with reading and writing difficulties have received tuition since the scheme began, and students are still coming forward. As planned, the agency is being wound up in March 1978, although the 1978-79 rate support grant from central to local government takes into account the cessation of the agency's grant-aiding function, and is calculated to enable local authority provision for adult literacy to continue at its present level. The Secretary of State for Education and Science has asked the recently formed Advisory Council for Adult and Continuing Education to advise on the best way of building on the adult literacy campaign in order to create and implement a coherent strategy for the basic education of adults, including continuing provision for adult literacy.)

COMBATING SOCIAL SECURITY FRAUD

Recent action to combat fraud and abuse of the social security system was outlined in the House of Commons on 7 December 1977 (*Hansard*, written answers, cols 745-8). Although the amount of undetected abuse cannot be measured, there is no evidence that fraud accounts for more than a tiny fraction of the money paid; in 1975-76 some £2·6 million was identified as lost through fraud – about £0·03 for every £100 paid. At the same time, the amount of supplementary benefit unclaimed by people entitled to it was estimated to be perhaps a hundred times greater than the money lost because of fraud. Nevertheless, to maintain public confidence in the social security system, the Government accepts that proper measures must be taken to prevent abuse. Recent action has included an increase in prosecutions from 7,700 in 1970 to over 19,000 in 1976 (convictions are secured in about 98 per cent of cases); more vigorous efforts in the courts to recover compensation from claimants who have gained by fraud; the redesigning of payment order books and Post Office Giro orders to help prevent fraudulent use; the recruitment of more special investigators and the establishment of better training and guidance for them; special efforts to combat organised criminals attempting to defraud the system; and the consideration of measures to deal with the problem of the collusive employer who, in order to avoid paying his own social security contributions, employs social security claimants 'on the side'.

DOCUMENTATION

Government and Administration

Devolution in the United Kingdom. COI, Factel No 679.

Crown Agents (see p 4):

Report by the Committee of Inquiry appointed by the Minister of Overseas Development into the circumstances which led to the Crown Agents requesting financial assistance from the Government in 1974. HMSO, £2·75. ISBN 0 10 204878 9.

Statement by Her Majesty's Government on the Report of the Fay Committee of Inquiry on the Crown Agents. HMSO, 75p. ISBN 0 10 204978 5.

Report by the Advisory Committee on the Crown Agents (the Stevenson Committee), 24 March 1972. HMSO, £1·35. ISBN 0 10 205078 3.

Remuneration of Councillors. Report of the Committee of Inquiry into the System of Remuneration of Members of Local Authorities. The committee, set up in December 1976 under the chairmanship of Mr D. Robinson, concludes that the present system of payment, based solely on attendance, is inadequate. It recommends that elected councillors should receive a basic annual payment (£1,000 is suggested); that the 'financial loss allowance' system, abolished in 1974, should be reintroduced; and that there should be 'special responsibility payments' for certain council appointments such as committee chairmanships. In a separate volume the committee publishes supplementary factual material. HMSO: Volume I, *Report.* Cmnd 7010. £1·40. ISBN 0 10 170100 4. Volume II, *The Surveys of Councillors and Local Authorities.* £2. ISBN 0 11 751241 9.

Annual Abstract of Statistics 1977. Central Statistical Office. HMSO, £7·50. ISBN 0 11 630172 4.

Digest of Welsh Statistics, No 23, 1977. Welsh Office. HMSO, Cardiff. £5·25. ISBN 0 11 790091 5.

Immigration into Britain. COI, R5976.

The Channel Islands. COI, SN5926.

The Isle of Man. COI, SN5932.

External Affairs and Defence

European Convention on the Suppression of Terrorism. Cmnd 7031. HMSO, 45p. ISBN 0 10 170310 4.

Declarations [by the British Government] in respect of the United Kingdom and certain overseas territories prolonging the period of Recognition . . . of the Competence of the European Commission of Human Rights to receive Individual Petitions; and the period of Recognition as compulsory of the Jurisdiction of the European Court of Human Rights. These declarations prolong the relevant periods until 13 January 1981. Cmnd 6978. HMSO, 25p. ISBN 0 10 169780 5.

Exchange of Notes between . . . Britain and . . . the French Republic concerning interim constitutional arrangements pending the election of a new Assembly for the New Hebrides. Cmnd 6996. HMSO, 25p. ISBN 0 10 169880 1.

Exchange of Notes between . . . Britain . . . and the French Republic concerning the establishment of a representative Assembly for the New Hebrides to be elected by universal suffrage. Cmnd 7027. HMSO, 45p. ISBN 0 10 170270 1.

Exchange of Notes between . . . Britain . . . and the French Republic concerning joint regulations made by the resident commissioners of the New Hebrides between 15 November 1975 and 24 November 1976. Cmnd 6988. HMSO, 25p. ISBN 0 10 169880 1.

Interim Agreement between the European Economic Community and . . . Algeria (with Final Act) and Exchanges of Letters concerning the Importation into the Community of Commodities originating in Algeria. Cmnd 6994. HMSO, £1·85. ISBN 0 10 169940 9.

Agreement between the European Economic Community, [Switzerland] and . . . Austria on the Extension of the Application of the Rules on Community Transit. Cmnd 7023. HMSO, 15p. ISBN 0 10 170230 2.

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Barbados on the guaranteed prices for cane sugar for 1977-78. Cmnd 7014. HMSO, 15p. ISBN 0 10 170140 3.

Interim Agreement between the European Economic Community and . . . Egypt (with Final Act and Exchanges of Letters). Cmnd 7030. HMSO, £1·50. ISBN 0 11 170300 7.

Additional Protocol to the Agreement between the European Economic Community and . . . Israel, with Protocol relating to Financial Co-operation and Final Act. Cmnd 7025. HMSO, 35p. ISBN 0 10 170250 7.

Agreement in the form of an Exchange of Letters on the amendment of the Agreement between the European Economic Community and [Switzerland] on the Application of the Rules on Community Transit. Cmnd 7013. HMSO, 25p. ISBN 0 10 170130 6.

Decision of the Representatives of the Governments of the Member States of the European Coal and Steel Community . . . opening tariff preferences for products covered by that Community and originating in Israel. Cmnd 7045. HMSO, 15p. ISBN 0 10 170450 X.

Decision of the Representatives of the Governments of the Member States of the European Coal and Steel Community . . . opening tariff preferences for in Morocco. Cmnd 7041. HMSO, 15p. ISBN 0 10 170410 0.

Economic and Scientific Affairs

Minimum Lending Rate (MLR). The Bank of England's MLR was increased by 2 per cent on 28 November 1977 to bring it to 7 per cent. *Economic Progress Report*, No 93, prepared by the Information Division of the Treasury. Available from Circulation Section (H), Central Office of Information.

Customs and Excise. Sixty-eighth report of the Commissioners for the year ended 31 March 1977. The report shows that the total revenue of the department during the year amounted to about £10,886 million of which value-added tax accounted for 35 per cent, hydrocarbon oil duties for 19 per cent, alcoholic drink duties for nearly 18 per cent, tobacco duties for 17 per cent and other customs and excise duties for 11 per cent. Cmnd 7050. HMSO, £3·15. ISBN 0 10 170500 X.

Report of the Chief Registrar of Friendly Societies for the Year 1976. Part 1, Friendly Societies. Industrial Assurance Companies and General. Fiendly Societies are mutual organisations which provide many kinds of provident benefits, including sickness, death, endowment and old age benefits. HMSO, £1·25. ISBN 0 11 600239 5.

British Overseas Trade Board Report 1977. Available from the board at 1 Victoria Street, London SW1H 0ET.

Overseas Trade and Payments. COI, FSB/F1.

Distribution of Income and Wealth. Royal Commission on the Distribution of Income and Wealth, Background Paper No 4, The Distribution of Income in Eight Countries. HMSO, £3·75. ISBN 0 11 730107 8 (see pp 462-6, 1977).

Price Commission Report for the period 1 August to 31 October 1977. House of Commons Paper 117. HMSO, 75p. ISBN 0 10 211778 0.

Work Permits. The ceiling on the number of work permits for people from overseas available to the hotel and catering industry in 1978 will be reduced from 2,000 to 1,500, in order to provide the maximum number of job opportunities in the industry while the level of unemployment in Britain remains unacceptably high. Announcing the new limit, the Parliamentary Under-Secretary of State for Employment, Mr John Grant, said that he was working towards a situation where no special arrangements would be necessary for the industry and, as a step towards this, no permits would be issued to unskilled workers in 1978. Further restrictions on permits for semi-skilled workers compared with skilled workers would also be applied to resident domestic workers in the industry. In addition, the number of permits available under the special Commonwealth quota scheme would be reduced from 1,500 to 1,100, while the quota for resident domestic workers and nursing auxiliaries would remain at 1,500 in 1978. *Hansard*, 16.12.77, written answers, cols 431-4.

Training for Skills. A Programme for Action (see p 20). Manpower Services Commission, Selkirk House, 166 High Holborn, London WC1V 6PF.

Department of Employment/Manpower Services Commission. Research 1976-77. HMSO, £1·75. ISBN 0 11 361100 5.

Fair Employment Agency for Northern Ireland. First Report (September 1976-March 1977). HMSO, 25p. ISBN 0 10 200878 7.

Time off work for trade union duties and activities. The code of practice on time off for trade union duties and activities (see p 446, 1976) will come into force on 1 April 1978. The code, prepared by the Advisory, Conciliation and Arbitration Service, gives practical guidance on the application of the time off provisions of the Employment Protection Act 1975, which will come into force at the same time. Department of Employment press notice, 21.12.77.

Health and Safety Research 1976. Health and Safety Executive. This report summarises progress on a wide range of topics including mining, agriculture and food storage, manufacturing, engineering, analysis and control, occupational medicine, explosives and hazardous substances and nuclear

installation and testing. The cost of research testing and scientific support activities in health and safety at work during 1976 totalled £6 million. HMSO, £2·50. ISBN 0 11 883012 0.

New Earnings Survey 1977. Part C. Analysis by Industry (see also pp 447 and 470, 1977). Department of Employment. HMSO, £2. ISBN 0 11 723810 4.

A Commentary on Electrical Fatalities in the Home 1976. Department of Prices and Consumer Protection. Available free, from the Consumer Safety Unit, Room 101, 1 Victoria Street, London SW1H 0ET.

The Conduct of Company Directors (see p 19). Cmnd 7037. HMSO, 35p. ISBN 0 10 170370 8.

Life-cycle Costing in the Management of Assets. A practical guide to the role of the accountant in the management of company assets, commissioned by the Department of Industry and prepared by Peat Marwick, Mitchell & Co in conjunction with the department's Working Party on Life-cycle Costing. HMSO, £1·75. ISBN 0 11 512072 6.

Report of the Agricultural Research Council for the year 1976/77. HMSO, £2. ISBN 0 10 207278 7.

Agriculture in the Welsh Economy. Welsh Council. HMSO, Cardiff. Unpriced.

Fishing Prospects 1977-78. Contains accounts of the level of catch of various species, descriptions of the present state of the stocks, and recommendations on Total Allowable Catch. Ministry of Agriculture, Fisheries and Food, 1977. Available free from the Ministry of Agriculture, Fisheries and Food, Fisheries Research Laboratory, Lowestoft, Suffolk, NR33 0H2.

Agreement between the Government of the United Kingdom . . . and the Government of the Kingdom of Norway relating to the Exploitation of the Frigg Field Reservoir and the Transmission of Gas therefrom to the United Kingdom. Cmnd 7043. HMSO, 60p. ISBN 0 10 170430 5.

Road Accidents Great Britain 1976. HMSO, £2·25. ISBN 0 11 550418 4.

Railway Accidents. Report to the Secretary of State for Transport on the Safety Record of the Railways in Great Britain during the year 1976. HMSO, £1·75. ISBN 0 11 550452 4.

The Role of British Rail in Public Transport. The Government's Response to the First Report from the Select Committee on Nationalised Industries, Session 1976-77 (see p 22). Cmnd 7038. HMSO, 75p. ISBN 0 10 170380 5.

British Civil Aviation. COI, SN6029.

Protocol to the Treaty on Merchant Navigation between Britain . . . and [the Soviet Union] signed at London on 3 April 1968. Cmnd 7040. HMSO, 25p. ISBN 0 10 170400 3.

Notes on Control of Environmental Pollution: Marine and Coastal Problems. COI, SN5988/5.

Twenty-Fourth Annual Report of the Marshall Aid Commemoration Commission for the year ending 30 September 1977. Cmnd 7024. HMSO, 25p. ISBN 0 10 170240 X.

Pattern of tourism and foreign travel:1976. This article presents a detailed analysis of statistics on overseas visitors in Britain and British visitors overseas in 1976. *Trade and Industry,* 16.12.77.

Social and Cultural Affairs

Social Trends No 8, 1977. As well as many tables and charts on social and demographic trends, this publication by the Central Statistical Office has a social commentary on the 15-25 age group and an article on low income households. HMSO, £6·90. ISBN 0 11 630173 2.

Welsh Social Trends No 1, 1977. A new publication prepared by the Welsh Office with statistics on population, social and economic characteristics, health and social services, justice and crime, education, housing, transport and finance. HMSO, £3·50. ISBN 0 11 790094 X.

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Population. COI, FSB/A2.

The Law Commission. Twelfth Annual Report 1976-77. HMSO, 70p. ISBN 0 10 209678 3.

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Health and Personal Social Services Statistics for England (with summary tables for Great Britain) 1977. HMSO, £6. ISBN 0 11 320589 9.

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Planning Procedures. The Government's response to a recent report by the House of Commons Expenditure Committee. It recognises concern over delays in dealing with planning applications and appeals but says that in the vast majority of cases the time taken for consideration is not unnecessarily long. The aim for the future, however, is to find ways of improving the development control machinery. Cmnd 7056. HMSO, 25p. ISBN 0 10 170560 3.

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BBC Handbook 1978. Incorporating the annual report and accounts 1976-77. British Broadcasting Corporation, 35 Marylebone High Street, London W1M 4AA. £2. ISBN 0 563 17476 5.

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